Banking Domain Notes

➢ **Verticals of Investment Banking-**

1. Banking

2. Telecom

3. E – Commerce

4. Health Care

5. Retail and Logistic

6. Insurance

7. Media

- The main vertical of investment banking is 'Banking'.

- Banking are having different domains like

A. Retail Banking

B. Investment Banking (Capital Market)

C. Payment Processing

D. International Money Transfer

➢ **Investment Banking (Capital Market)-**

- My project name is Informa Market, domain is Investment Banking, and client is Informa, UK.

➢ **Business Flow**-

- Investment Banking has various functions one of them is sales and trades of shares/securities.

- Being investors for increasing their capital and if they don't have any idea about trading then they will approach to the investment banking.

- By using their applications, if any investor wants to buy or sell the stocks then IB will get brokerage for every transaction.

- Some times IB work as consultant for that and then will get consultant fees.

- Sometimes IB will suggest merging of two companies that time IB will give suggestion how to share profit ex. Hero- Honda.

- Also if any company want to acquire or takeover another company then IB provide details about previous transaction. That time IB will give money to organization to acquire property. ex. Atos- Syntel, Techm- Satyam Computers, Idea-Vodafone.

➤ **Technical Flow-** DTCC- Depository Trust Clearing Corporation
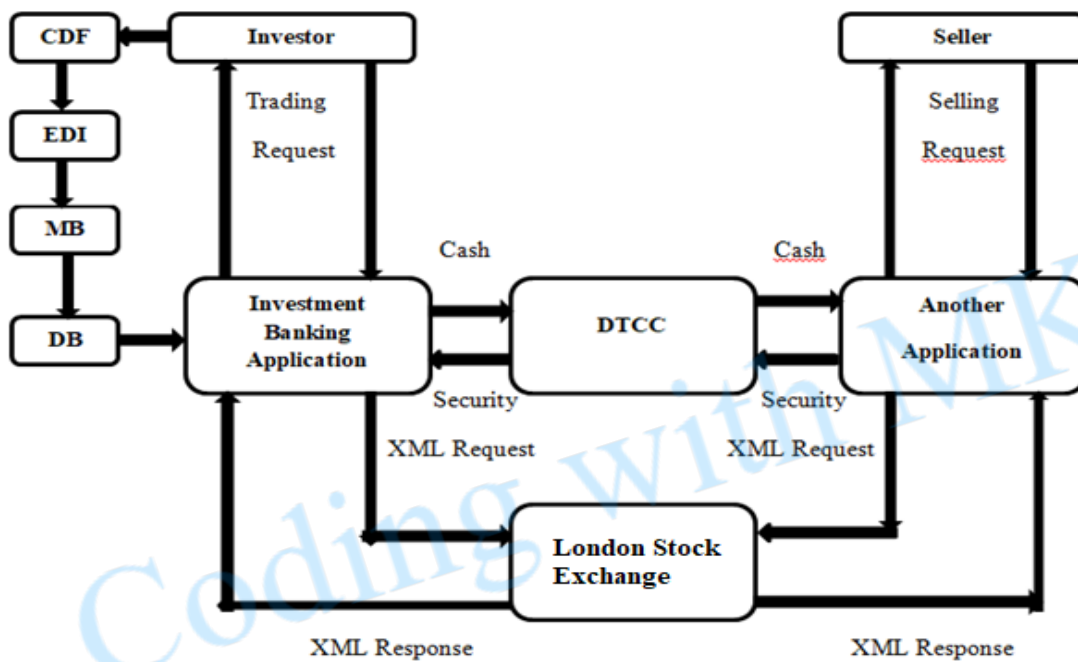
LSE- London Stock Exchange

EDI- Electronic Data Interchange

MB- Message Broker

CDF- Common Data File

NSE/BSE- National Stock Exchange/Bombay Stock Exchange.

- If any investor wants to increase their capital they start trading but they can't start it directly.

- For trading investor should have and trading account for ex. Share Holding Account- US

DMAT Account- India

- Investor need a broker company just like India Up stocks, ZeroDha etc.

- First investor has to open an account (DMAT+Trading) and then investor will get ID and PWD

for login into application.

- Then investor will deposit money in trading account.

- Then investor has to fill the details about what type of trading he wants to do for ex. equity,

derivative, commodity, currency etc.

- After successful login into an application investor will select the stock and no of shares.

- This information not go to IB for security reason.

- It will go to CDF, then it will go to EDI and then we will perform file validation.

- After data and control validation we drag EDI to MB.

- After successful validation data will be stored in database we can get data by using select

query.

- Now our application get connected with LSE.

- LSE will provide the current details about stock price and market value to IB.

- If seller wants to sell 1000 stocks then seller will contact to IB for sell.

- At the end of day whatever trading has been done & settlements of shares and cash between IB

& Stock exchange are takes place and it is done by DTCC.

➢ **Primary Market :**

- The primary market is where securities are created, while the secondary market is where those securities are traded by investors.

- In the primary market, companies sell new stocks and bonds to the public for the first time, such as with an initial public offering (IPO).

- The primary market is where securities are created. It's in this market that firms sell (float) new stocks and bonds to the public for the first time.

- An initial public offering, or IPO, is an example of a primary market.

- An IPO occurs when a private company issues stock to the public for the first time.

- The important thing to understand about the primary market is that securities are purchased directly from an issuer.

➢ **Secondary Market :**

- The secondary market is basically the stock market and refers to the New York Stock Exchange, the Nasdaq, and other exchanges worldwide.

- For buying equities, the secondary market is commonly referred to as the "stock market."

- The defining characteristic of the secondary market is that investor's trade among themselves.

- That is, in the secondary market, investor's trade previously issued securities without the issuing companies' involvement.

- For example, if you go to buy Amazon (AMZN) stock, you are dealing only with another investor who owns shares in Amazon. Amazon is not directly involved with the transaction.

- **Equity :**

- One of the benefits of trading in the share market is that investors can become partial owners of a company. These shares, offered by companies in return for money, are called equities. In the Indian stock market, equities are available for trading at the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

- An equity market, also known as the stock market, is a platform for trading in company shares. It is the place where buyers and sellers meet to trade in listed companies. Listed companies are those entities that have offered some part of their equity to public investors.

- **Trading :**

- Trading involves more frequent transactions, such as the buying and selling of stocks, commodities, currency pairs, or other instruments.

- The goal is to generate returns that outperform buy-and-hold investing.

- While investors may be content with annual returns of 10% to 15%, traders might seek a 10% return each month.

- Trading profits are generated by buying at a lower price and selling at a higher price within a relatively short period of time.

- **How to Buy/Sell Stocks :**

- In order to buy stocks, you need the assistance of a stockbroker since you cannot usually just call up a company and ask to buy their stock on your own. For inexperienced investors, there are two basic categories of brokers to choose from: a full-service broker or an online/discount broker.

- **Full-Service Brokers (Financial Advisor):** These are the traditional stockbrokers who will take the time to get to know you personally and financially. By getting to know as much about you as they can, these full-service brokers can then help you develop a long-term financial plan.

- **Online/Discount Brokers (Third party Applications):** Online/discount brokers, on the other hand, do not provide any investment advice and are basically just order takers. They are much less expensive than full-service brokers since there is typically no office to visit and no certified investment advisors to help you. If you feel you are knowledgeable enough to take on the responsibilities of managing your own investments or you don't know anything about investing but want to teach yourself, then this is the way to go.

➢ **Intraday Trading :**

- Intraday means "within the day." In the financial world, the term is shorthand used to describe securities that trade on the markets during regular business hours.

- These securities include stocks and exchange-traded funds (ETFs). Intraday also signifies the highs and lows that the asset crossed throughout the day.

- Intraday is often used to refer to the new highs and lows of any particular security.

- Day traders pay close attention to intraday price movements, timing trades in an attempt to benefit from the short-term price fluctuations.

- Scalping, range trading, and news-based trading are types of intraday strategies used by traders.

- One advantage is the ability to use tight stop-loss orders—the act of raising a stop price to minimize losses from a long position.

- Intraday trading also provides traders with more learning opportunities.

- Disadvantages of intraday trading include insufficient time for a position to see increases in profit, in some cases any profit at all, and increased commission costs due to trading more frequently which eats away at the profit margins a trader can expect.

> **Bond-**

- A bond is a fixed income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).

- Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer.

- A bond is referred to as a fixed income instrument since bonds traditionally paid a fixed interest rate (coupon) to debtholders. Variable or floating interest rates are also now quite common.

- Bond prices are inversely correlated with interest rates: when rates go up, bond prices fall and vice-versa.

Categories of Bonds :

- **Corporate bonds :** are issued by companies. Companies issue bonds rather than seek bank loans for debt financing in many cases because bond markets offer more favorable terms and lower interest rates.

- **Municipal bonds :** are issued by states and municipalities. Some municipal bonds offer tax-free coupon income for investors.

- **Government bonds :** The entire category of bonds issued by a government treasury is often collectively referred to as "treasuries."

> **MIS & CNC-**

MIS:

- The Full form of MIS orders is Margin Intraday Square off orders.

- Margin Intraday Square up (MIS) – As the name suggests, MIS orders are intraday orders and needs to be squared off during the same trading day. If the order is not squared off by the

user or converted into other order types, the RMS system shall automatically square off the order a few minutes before the market close.

- The auto square off for Equity, F&O & Currency – 15 minutes before the market close and for the Commodity Derivatives Segment the square off happens 30 minutes before the market close.

- Thus, if a trader wants to strictly trade intraday he can do so by using the MIS product type.

- He need not even worry about squaring off the trade as the trades will get auto squared off. Also, if required the MIS product type can be converted into delivery or carry forward trades through position conversion window.

CNC:

- The full form of CNC is Cash N Carry and the CNC product is a non-intraday product used in the Equity Segment of BSE & NSE.

- It is used for buying or selling shares for delivery. The shares purchased using the CNC option would be transferred to your demat account after T + 2 days and shares sold using the CNC option would be transferred from your demat account to fulfil your sale obligations with the exchanges.

- For example, if one wishes to buy shares of a company and sell it after a few days, one should use the CNC as the product type.

CNC Order Margin :

- As the name suggests, in CNC the traders or investors will get no leverage for this product or a leverage of 1x. So if somebody puts Rs. 1000, he can buy shares only for Rs 1000 and no multiplier would be given.

- However, the upside for this is that since one has paid the full amount for the shares purchased, there would be no RMS square off when the shares are purchased using CNC.

- All the shares purchased would be sold on the instance of the trader or investor. If required,

shares purchased in CNC can be sold intraday as well and the brokerage would be charged for intraday only. However, please note that for intraday short selling CNC option cannot be used.

- The system will disallow selling of shares under the CNC option if the shares are not available in the client's demat account. Trades under CNC can be converted to MIS from the position book.

What is the difference between CNC orders vs MIS orders? :

- The fundamental difference between CNC orders and MIS orders is thatCNC orders are delivery orders whereas MIS orders are purely intraday orders and incase the user doesn't square off MIS orders sou motto, the same shall be squared off by the Risk Management Systems.

- CNC orders have no margin multipliers whereas additional leverage and margins are available with MIS orders. Check out the margin calculator to compare MIS and CNC margins.

➢ **Order Types :**

A. **Market Order :**

- A market order simply buys or sells shares at the prevailing market prices until the order is filled.

- A market order is the most basic type of trade. It is an order to buy or sell immediately at the current price. Typically, if you are going to buy a stock, then you will pay a price at or near the posted ask. If you are going to sell a stock, you will receive a price at or near the posted bid.

- The advantage of using market orders is you are guaranteed to get the trade filled; in fact, it will be executed ASAP.

B. **Limit Order:**

- A limit order, sometimes referred to as a pending order, allows investors to buy and sell securities at a certain price in the future.

- This type of order is used to execute a trade if the price reaches the pre-defined level; the order will not be filled if price does not reach this level. In effect, a limit order sets the maximum or minimum price at which you are willing to buy or sell

Buy Limit Order:

- A buy limit order is an order to purchase an asset at or below a specified price, allowing traders to control how much they pay.

- By using a buy limit order, the investor is guaranteed to pay that price or less.

- If the asset does not reach the specified price, the order is not filled and the investor may miss out on the trading opportunity. Said another way, by using a buy limit order the investor is guaranteed to pay the buy limit order price or better, but it is not guaranteed that the order will be filled.

Sell Limit Order:

- An order to sell a security at or above a specified price. To ensure improved price, the order must be placed at or above the current market ask.

C. Stop-Loss Order:

- The order specifies that an investor wants to execute a trade for a given stock, but only if a specified price level is reached during trading.

- Stop-loss orders differ from a conventional market order. With market orders, the investor specifies that they wish to trade a given number of shares of a stock at the current market-clearing price. Using a market order, the investor cannot specify the execution price. However, the stop-loss allows an investor-specified limit price.

- The trade executes once the price of the stock in question falls to a specified stop price. Such orders are designed to limit an investor's loss on a position.

D. Stop-Limit Order:

- The stop-limit order will be executed at a specified price, or better, after a given stop price has been reached.

- Once the stop price is reached, the stop-limit order becomes a limit order to buy or sell at the limit price or better

➢ **Kite- ZeroDha Login Page-**
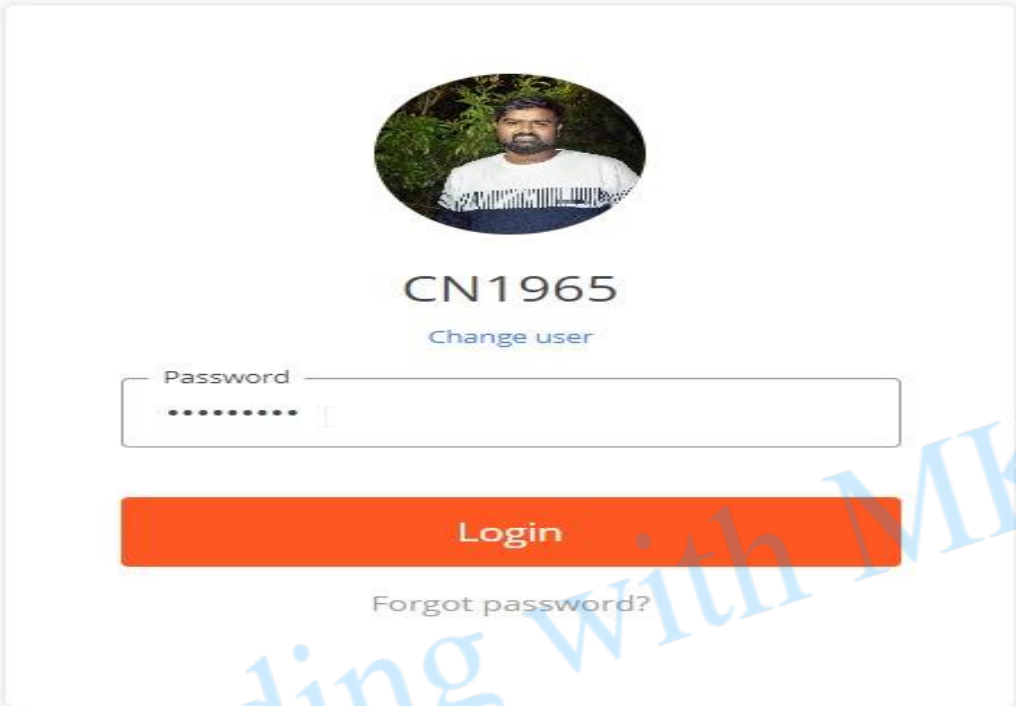
Scenarios-

1. Verify that ZeroDha user is able to login with valid user id and valid password.

2. Verify that ZeroDha user is able to login with valid user id and invalid password

3. Verify that ZeroDha user is able to login with invalid user id and valid password.

4. Verify that ZeroDha user is able to login with invalid user id and invalid password.

5. Verify that ZeroDha user is able to login by keeping blank user id and password.

6. Verify that ZeroDha user is able to login by keeping blank user id and using valid password.

7. Verify that ZeroDha user is able to login by using valid user id and by keeping blank password.

8. Verify that ZeroDha login button is clickable or not.

9. Verify that ZeroDha user is able forgot password by click on Forgot Password link.

> **Kite ZeroDha Login when User Id already entered.**

Scenarios-

1. Verify that CN1965 user able to login by entering valid password.

2. Verify that CN1965 user is able login by entering invalid password.

3. Verify that CN1965 user is able to login by keeping blank password.

4. Verify that ZeroDha login button is clickable or not.

5. Verify that ZeroDha user is able to forget password by click on Forgot Password link.

6. Verify that ZeroDha user is able to change User.

➢ **ZeroDha Enter Pin Page-**

Scenarios-

1. Verify that CN1965 user is able to continue by entering valid pin

2. Verify that CN1965 user is able to continue by entering invalid pin.

3. Verify that CN1965 user is able to continue by keeping blank pin

4. Verify that CN1965 user is able to click on Forgot 2FA.

5. Verify that continue button is clickable or not.

➢ ZeroDha Home Page-

Scenarios-

1. Verify that ZeroDha user is able navigate to Dashboard after click on dashboard tab.

2. Verify that ZeroDha user is able navigate to Orders after click on orders tab.

3. Verify that ZeroDha user is able navigate to Holdings after click on holdings tab.

4. Verify that ZeroDha user is bale to navigate to Positions after click on position tab.

5. Verify that ZeroDha user is able navigate to Funds after click on funds tab.

6. Verify that ZeroDha user is able navigate to Apps after click on apps tab.

➢ ZeroDha Profile Page-

Scenarios-

1. Verify that ZeroDha user is able to see Profile after click on my profile.

2. Verify that user is able to navigate to console after click on console

3. Verify that user is able to navigate to coin after click on coin

4. Verify that user is able to navigate to support after click on support.

5. Verify that user is able to invite friends by click on invite friends

6. Verify that user is able to navigate tour kite after click on tour kite.

7. Verify that user is able to navigate keyboard shortcuts by click on keyboard shortcuts.

8. Verify that user is able to navigate help after click on help.

9. Verify that user is able to logout from the application by click on logout.

➤ ZeroDha Search Tab-

Scenarios-

1. Verify that ZeroDha user is able to search the different company shares by entering into search bar.

Defects-

- If user search share in watch list of one company in depth but instead of my company shares it shows shares information of another company.

- When I click on buy it shows sell window.

- When I click on sell but it shows buy window.

- I got defect that when I place order after market closed and it is placed.