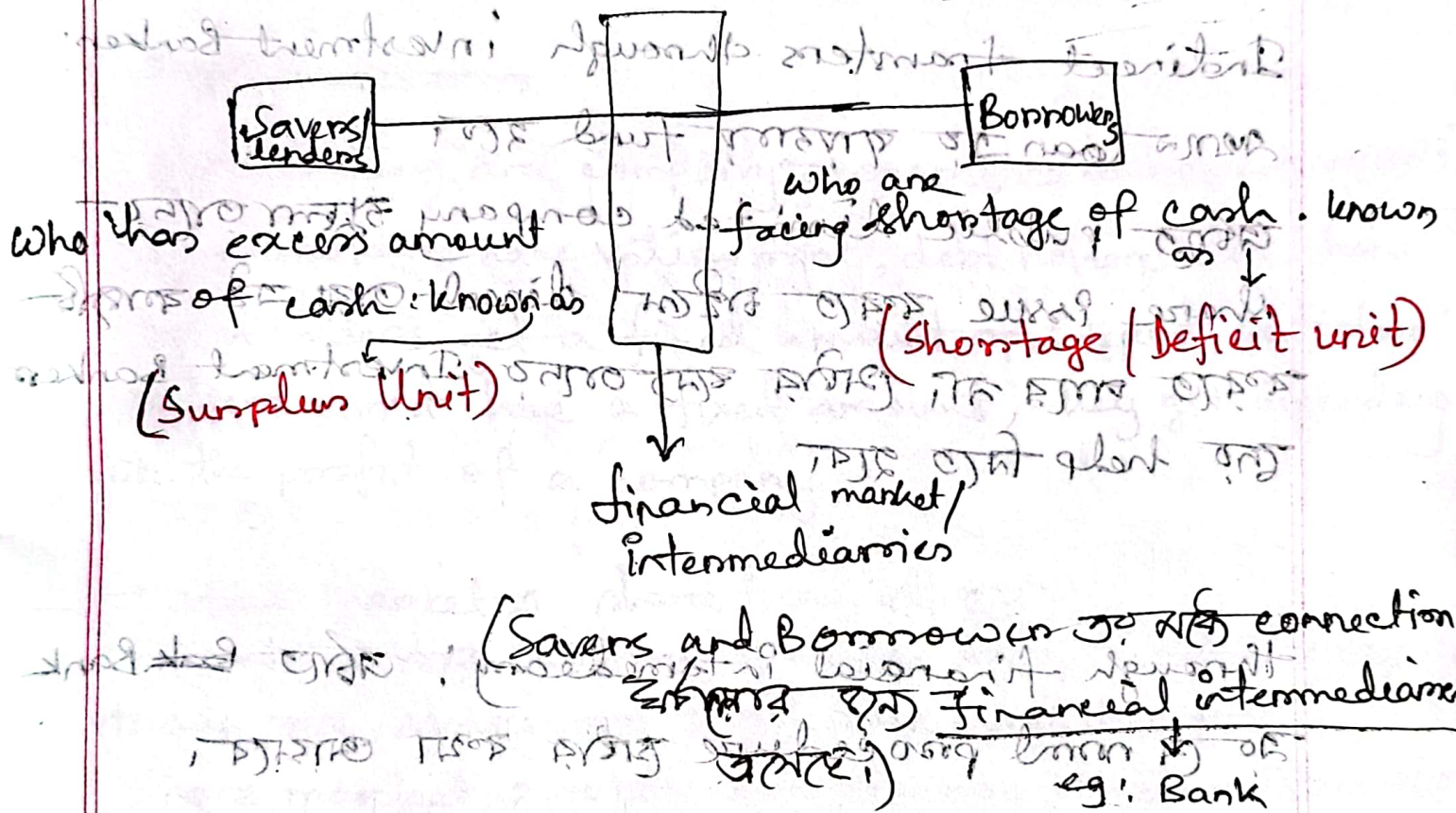


Chap - 03

Investment Banking

The financial Markets and the Investment Banking Process



Overall concept of financial market.

flow of funds between the surplus units and deficit unit.

efficiently allocate excess funds →

borrowers are given the +k (return) with interest.

financially sound

financially sound

Direct transfers : 80-90%

Indirect transfers through investment Banker:

Some loan to various fund etc.

Also public limited company share issue

share issue done direct or indirect

done through Investment Banker

help to raise money

through financial intermediary: Bank

to normal procedure for bank

Debt vs Equity / Stock Markets

Debt or loan represent an obligation for the company. to pay a specific amount (loan)

after a certain period of time. (A financial

market is a market for debt (traded) markets.

Securities → share & bond

Equity represents the ownership in a corporation. financial market where equity is shared is called equity market. Equity market eg: share market. DSE, CSE.

Stockholders → equity holders.

→ debt holders → ~~share~~: debt purchase करे.

~~Shareholders~~ →

→ Shareholders are company owners, debt holders aren't.

→ Shareholders have voting right, debt holders don't have.

→ Debt holders get a fixed amount of interest, but share holders don't have a fixed amount, they get depending on the profit of a company.

→ Stock Market is share issue करे हर.

→ Stocks ~~करे~~ investors & trade करे, investors & share trade करे, share करे ~~करे~~ stock market is हर.

Share market is public organization & share issue करे,

15-06-23

Types of General Stock Market:

Stock Market: (Secondary market concept)

1) public limited company already issues share

2) for Additional → Through additional share issue companies can again have cash inflow. Additional share is used to raise capital for new ventures or project. These shares are issued in primary market.

3) private limited company → Public limited company
going company can do IPO issue

SEC (Securities and Exchange Commission):

to look offers what kind of securities.

monitoring stock, stock market, stock exchange
control stock. Ex: BEC

Financial Intermediaries:

comp. go to FI for company go
part into analyzing stock market. Due diligence

activities, invest

diligence

financial intermediaries create a report about the past info of a company is called prospectus.

30%, 32.3% related to report publish and report is called Prospectus. Then FI report is Investment and present to attract for that company.

What's Investment Banking and the activities of Investment Banking?

→ Organizations that underwrites and distributes new securities.

Share of a company issued is sold by Investment banker. If share unsold, then, then Investment banker can choose to buy that share at a discount.

Savers at bank to deposit and earn, then bank earn interest. This interest is accumulated by giving loans to the borrowers on deficit unit. Also the borrowers will pay an extra interest to the intermediary where the banks will keep their surplus interest.

financial intermediaries create a report about the
info of a company is called prospectus.

Financial Intermediation:

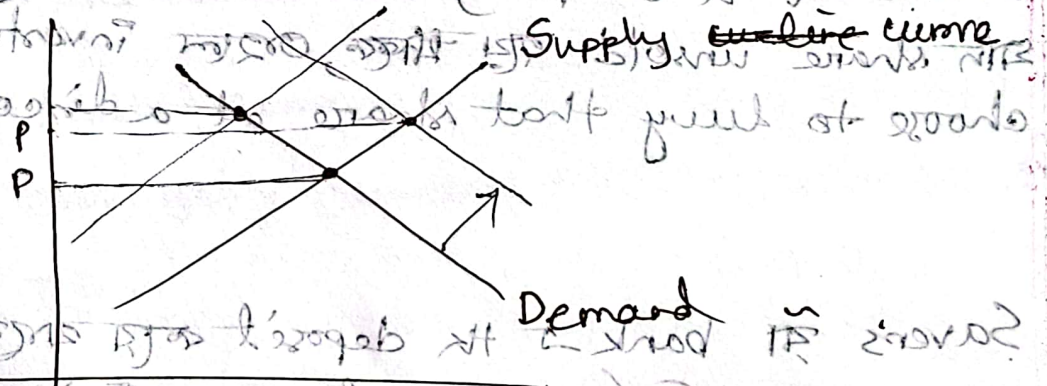
Market Efficiency: (Mid market) (Mid market)

At how much least cost trades are offered and transacted

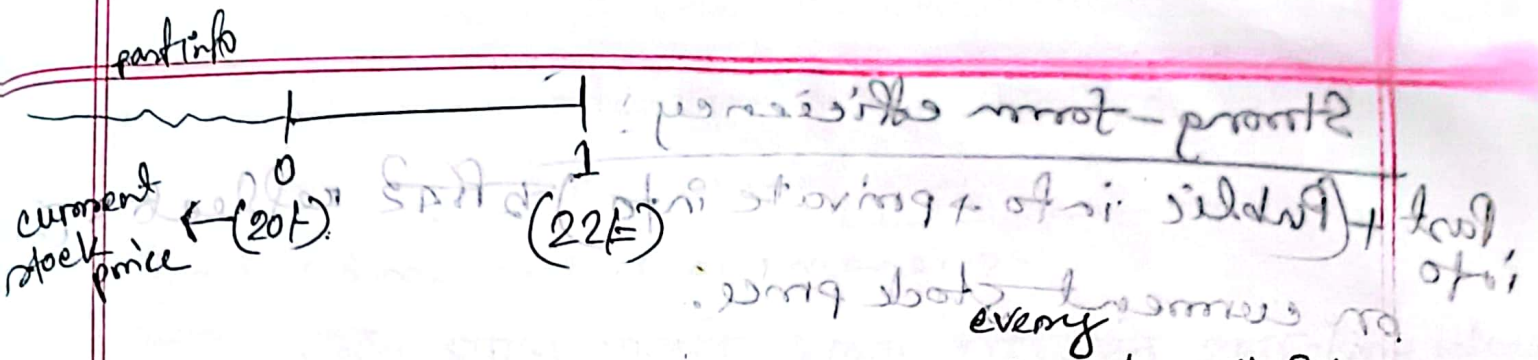
1) Cost (to transact a transaction of a stock)

2) Information (to info. market where we can find fast

our activities and make decision make a stock market

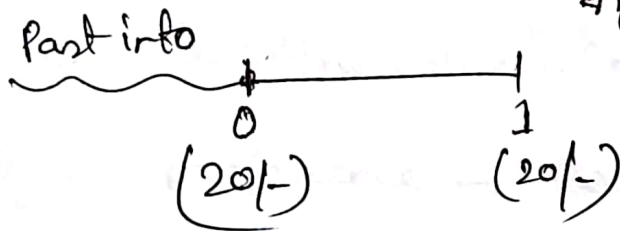


impact of stock market price & market
decision made (info. market) inventory of stock
efficiency.



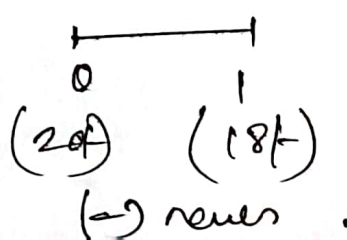
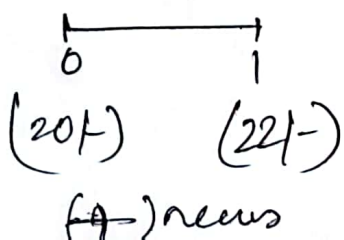
Public info: \rightarrow news or invention or etc.

current stock price is not fully past info reflection
 market is not efficient for weak-form efficiency. Public market info not price effect
 market is. Market News available But ~~2620~~ stock price
 not. \rightarrow price, market not change.



Semi-Strong form efficiency:

current stock price is not fully past info + public info
 reflection market not change. Public info market (+) news or etc. current
 stock price change. \rightarrow (+) news or etc. current
 stock price change. \rightarrow (-) news or etc. current
 stock price change.



Strong-form efficiency:

Past info + (Public info + private info) reflected on current stock price.

অতীত তথ্য + (সাধারণ তথ্য + প্রাইভেট তথ্য) বর্তমান স্টক দামে প্রতিফলিত হয়।

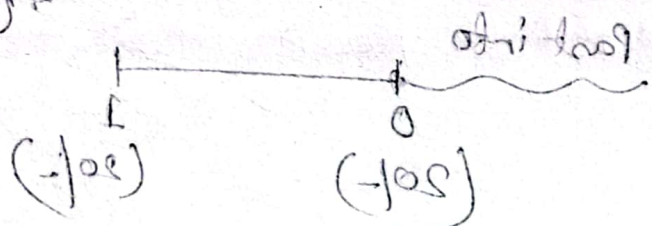
যদি কোনো company এ প্রাইভেট তথ্যের ভিত্তিতে private

info থাকে But market এ প্রতিফলিত হয় না তাহলে

সেটা fair play হয় না, বরং in-efficient হয়।

So, market is not efficient.

সুতরাং মার্কেট ইন-এফিচেন্ট।



attachment
(lecture)

financial market explanation, importance of F.M

slides
(2000
2000)

Types of general stock market.

Market efficiency

Investment

slide
+ Attached
file

Comparison

