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**DR. SANDEEP KUMAR RAWAT**

## Syllabus

Unit	Topics
<b>I</b>	<b>Financial Markets an Overview:</b> Meaning of Financial Market and its Significance in the Financial System. Financial Markets in the Organized Sector - Industrial Securities Market, Government Securities Market, Long-term Loans Market, Mortgages Market, Financial Guarantee Market, Meaning and Structure of Money Market in India, Characteristics of a Developed Money Market, Significance and Defects of Indian Money Market.
<b>II</b>	<b>Capital Market:</b> New issue market - Meaning and Functions of New Issue Market, Instruments of New Issues, Players and their role in the New Issue Market, issue-pricing and marketing. Defects and Remedies of New Issue Market.
<b>III</b>	<b>Secondary market:</b> Functions and role of stock exchange; Listing procedure and legal requirements; Public Stock Exchanges-NSE, BSE and OTCEI. Functionaries on Stock Exchanges: Brokers, Sub brokers, market makers, jobbers, portfolio consultants, institutional investors.
<b>IV</b>	<b>Investor Protection:</b> Grievances concerning stock exchange dealings and their removal, Demat Trading.  SEBI Guidelines - Primary Market, Secondary Market and the Protection of investor's interest, NCLT & NCLAT.

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## Unit -1



## 1. Financial Market

A financial market is a marketplace where assets such as stocks, bonds, currencies, and derivatives are bought and sold. It is a mechanism through which companies, governments, and individuals can raise capital, transfer risk, and trade financial instruments. The financial market plays a crucial role in the economy by facilitating the allocation of resources, determining the prices of financial assets, and providing liquidity.

The significance of financial markets in the financial system can be understood in several ways:

- **Capital Allocation:** Financial markets help in the efficient allocation of capital by channeling funds from savers to borrowers. This process allows businesses to raise capital for investment, which in turn fosters economic growth.
- **Price Discovery:** Financial markets facilitate price discovery by determining the prices of financial assets based on supply and demand dynamics. These prices reflect the market's collective assessment of the value of these assets.
- **Risk Management:** Financial markets provide mechanisms such as futures, options, and swaps to manage and transfer risk. This helps market participants hedge against adverse movements in prices or interest rates.
- **Liquidity:** Financial markets provide liquidity, allowing investors to buy and sell assets easily. This liquidity is essential for the smooth functioning of the economy and the financial system.
- **Economic Growth:** A well-functioning financial market contributes to economic growth by providing the necessary funds for businesses to expand, innovate, and create jobs.
- In summary, financial markets play a crucial role in the economy by facilitating the efficient allocation of capital, determining asset prices, managing risk, providing liquidity, and fostering economic growth.

## 2. Organized Sector

In the organized sector, financial markets refer to markets that are regulated by government authorities and have specific rules and regulations governing their operations. These markets are typically more formalized and structured compared to informal or unregulated markets.

Here are some key examples of financial markets in the organized sector:

- **Stock Market:** Also known as the equity market, the stock market is where shares of publicly listed companies are bought and sold. It provides companies with a platform to raise capital by issuing shares and allows investors to buy ownership stakes in these companies.
- **Bond Market:** The bond market is where government and corporate bonds are bought and sold. Bonds are debt instruments issued by governments and companies to raise funds. Investors buy bonds as a form of lending money to the issuer in exchange for periodic interest payments and the return of the principal amount at maturity.
- **Derivatives Market:** The derivatives market includes instruments such as futures and options, which derive their value from an underlying asset such as stocks, bonds, commodities, or currencies. These instruments are used for hedging, speculation, and arbitrage purposes.
- **Commodity Market:** The commodity market is where commodities such as gold, silver, crude oil, agricultural products, etc., are bought and sold. This market provides a platform for producers and consumers of commodities to hedge against price risks.
- **Foreign Exchange Market:** The foreign exchange (forex) market is where currencies are bought and sold. It is the largest and most liquid financial market in the world, facilitating international trade and

investment.

- **Money Market:** The money market is where short-term debt securities such as Treasury bills, commercial paper, and certificates of deposit are traded. It provides liquidity to financial institutions and allows them to manage their short-term cash needs.

These organized financial markets play a crucial role in the economy by facilitating the efficient allocation of capital, managing risk, and providing liquidity to market participants. They are regulated by government authorities to ensure transparency, fairness, and stability in the financial system.

### 3. The Industrial Securities Market (ISM)

The Industrial Securities Market (ISM) is a segment of the capital market where securities issued by industrial enterprises are traded. It provides a platform for companies to raise long-term capital by issuing shares (equity) or bonds (debt) to investors. The ISM plays a crucial role in the economy by enabling companies to finance their growth and expansion plans.

The ISM functions similarly to the stock market, but with a focus on securities issued by industrial companies. Companies that list on the ISM are typically larger, more established firms with a track record of financial performance. Investors can buy and sell these securities through stock exchanges or other trading platforms. The ISM helps companies raise capital for various purposes, such as expanding production capacity, investing in new technologies, or acquiring other businesses. By providing access to long-term financing, the ISM contributes to economic growth and development.

Investing in the ISM can offer investors the opportunity to participate in the growth of industrial companies and earn returns through capital appreciation and dividends. However, investing in the ISM also carries risks, such as the possibility of loss if the company's performance falters or if the broader economy experiences downturns.

Overall, the Industrial Securities Market plays a crucial role in the financial system by providing a platform for industrial companies to raise capital and for investors to participate in the growth of these companies.

### 4. The government securities

The government securities market, also known as the sovereign debt market or the government bond market, is a segment of the financial market where bonds issued by a government are bought and sold. These bonds are debt instruments through which governments raise capital to finance their operations, infrastructure projects, and other expenditures.

Government securities are considered one of the safest investments because they are backed by the full faith and credit of the issuing government. They are typically low-risk investments compared to corporate bonds or stocks. Government securities are also used as a benchmark for pricing other fixed-income securities and serve as a key indicator of a country's economic health and stability.

Key participants in the government securities market include:

- **Government:** The issuer of the bonds, which can be the national government or local government entities.
- **Primary Dealers:** Financial institutions authorized to participate in the primary market auctions of government securities. They act as market makers, providing liquidity and helping to stabilize the market.
- **Investors:** Individuals, institutional investors, banks, and other financial institutions that buy government securities.

- **Central Bank:** The central bank of a country plays a crucial role in the government securities market by conducting monetary policy operations, managing liquidity, and sometimes acting as an intermediary in the market.
- **Regulators:** Government agencies responsible for overseeing and regulating the government securities market to ensure transparency, efficiency, and stability.

The government securities market is an essential part of the financial system, providing a safe investment option for investors and a crucial source of

### 5. Long Term Loan Market

The long-term loans market refers to a segment of the financial market where borrowers can obtain financing for an extended period, typically more than one year. These loans are often used by businesses and governments to finance large projects, acquisitions, or other long-term investments.

Key features of the long-term loans market include:

- **Maturity:** Long-term loans have a maturity exceeding one year, often ranging from 3 years to 30 years or more, depending on the nature of the loan and the borrower's needs.
- **Interest Rates:** Interest rates on long-term loans are typically higher than short-term loans due to the longer repayment period and higher risk for lenders. The rates can be fixed or variable, depending on the terms of the loan agreement.
- **Security:** Lenders may require collateral to secure long-term loans, especially for large amounts. This provides a guarantee for lenders in case the borrower defaults on the loan.
- **Purpose:** Long-term loans are often used for capital expenditures, such as buying equipment, expanding facilities, or acquiring other businesses. They can also be used for refinancing existing debt or other strategic purposes.

**5.1 Market Participants:** Participants in the long-term loans market include banks, financial institutions, private lenders, and sometimes government agencies that provide financing to borrowers.

**Regulation:** The long-term loans market is subject to regulatory oversight to ensure fair lending practices, consumer protection, and financial stability.

Overall, the long-term loans market plays a crucial role in the economy by providing businesses and governments with access to the capital they need for long-term investments. It also provides investors with an opportunity to earn returns by lending their money to borrowers in exchange for interest payments.

### 6. Mortgages Market

The mortgages market is a segment of the financial market where loans are provided to individuals and businesses to purchase real estate. Mortgages are long-term loans with repayment periods typically ranging from 15 to 30 years, although shorter and longer terms are also available depending on the lender and the borrower's needs.

Key features of the mortgages market include:

- **Home Loans:** Mortgages are primarily used to purchase homes. Homebuyers make a down payment and borrow the remaining amount from a lender, usually a bank or a mortgage lender.
- **Interest Rates:** Mortgages can have fixed or variable interest rates. Fixed-rate mortgages have a constant interest rate for the duration of the loan, providing borrowers with predictable monthly payments. Variable-rate mortgages have interest rates that can change over time, often tied to a benchmark interest rate such as the prime rate.
- **Collateral:** The property being purchased serves as collateral for the mortgage loan. If the borrower fails to repay the loan, the lender can seize the property through a process known as foreclosure.
- **Amortization:** Mortgages are typically amortizing loans, meaning that the monthly payments are



structured to pay off both the principal amount and the interest over the term of the loan.

- **Regulation:** The mortgage market is heavily regulated to protect consumers and ensure the stability of the financial system. Regulations govern lending practices, disclosure requirements, and foreclosure procedures.
- **Secondary Market:** Many mortgages are sold by lenders to investors in the secondary market, which helps to provide liquidity to the mortgage market and allows lenders to continue making new loans.

The mortgages market plays a crucial role in the economy by enabling individuals and businesses to purchase real estate. It also has a significant impact on the housing market, interest rates, and overall economic stability.

## 7. Financial Guarantee Market

The financial guarantee market is a segment of the financial market where financial guarantors provide guarantees or insurance on debt obligations issued by corporations, municipalities, and other entities. These guarantees are often used to enhance the creditworthiness of the issuer and lower the cost of borrowing.

Key features of the financial guarantee market include:

- **Guarantee Providers:** Financial guarantors, such as insurance companies or specialized financial institutions, provide guarantees on debt instruments, such as bonds or loans, issued by other entities.
- **Credit Enhancement:** Guarantees provided by financial guarantors enhance the credit quality of the debt instrument, making it more attractive to investors. This can result in lower interest rates for the issuer.
- **Types of Guarantees:** Financial guarantors may provide various types of guarantees, including payment guarantees (guaranteeing repayment of principal and interest), performance guarantees (guaranteeing performance of contractual obligations), and insurance against default.
- **Risk Management:** The financial guarantee market helps issuers manage credit risk by transferring it to the guarantor. Investors benefit from the increased credit quality of the guaranteed instruments.
- **Regulation:** The financial guarantee market is subject to regulatory oversight to ensure that guarantors have sufficient capital to meet their obligations and that they operate in a prudent manner.
- **Market Impact:** The availability of financial guarantees can influence the pricing and demand for debt instruments in the market. Guarantees can also play a role in the securitization of debt, where pools of loans are packaged into securities.

Overall, the financial guarantee market plays an important role in the financial system by providing credit enhancement to issuers and risk management for investors. It helps to facilitate the flow of capital by making debt instruments more attractive to investors and reducing the cost of borrowing for issuers.

## 8. Money Market

The money market in India refers to a segment of the financial market where short-term borrowing and lending of funds take place among financial institutions, banks, corporations, and the government. It plays a crucial role in the economy by providing liquidity and financing for short-term needs, influencing interest rates, and facilitating the implementation of monetary policy.

### 8.1 Structure of the Money Market in India:

**Participants:** The money market in India comprises various participants, including the Reserve Bank of India (RBI), commercial banks, cooperative banks, non-banking financial companies (NBFCs), primary dealers, mutual funds, insurance companies, and corporates.

**Instruments:** The Indian money market offers a variety of instruments for short-term borrowing and lending, such as Treasury Bills (T-Bills), Commercial Papers (CPs), Certificates of Deposit (CDs), Repurchase

Agreements (repos), Call Money, and Term Money.

- **Treasury Bills (T-Bills):** Short-term government securities issued to meet the short-term liquidity requirements of the government.
- **Commercial Papers (CPs):** Unsecured, short-term debt instruments issued by corporations to raise funds for a short period.
- **Certificates of Deposit (CDs):** Negotiable, short-term debt instruments issued by banks to raise funds from the money market.
- **Repurchase Agreements (repos):** Short-term borrowing and lending transactions involving securities as collateral.
- **Call Money:** Short-term funds borrowed or lent by banks for a day.
- **Term Money:** Funds borrowed or lent for a period exceeding one day and up to 14 days.
- **Regulation:** The money market in India is regulated by the Reserve Bank of India (RBI) through various regulations, guidelines, and policies to ensure its smooth functioning, stability, and efficiency.
- **Role of RBI:** The RBI plays a pivotal role in the Indian money market by regulating liquidity, setting interest rates, conducting open market operations, and providing refinancing facilities to banks and financial institutions.
- **Impact on Economy:** The money market in India influences the overall interest rate structure, liquidity conditions, and the effectiveness of monetary policy. It also provides a platform for efficient allocation of short-term funds, thereby supporting economic growth.

Overall, the money market in India is a vital component of the financial system, providing short-term liquidity and financing options to market participants while contributing to the efficient functioning of the economy.

## 8.2 A developed money market

A developed money market is characterized by several key features that distinguish it from less developed or emerging money markets. These characteristics include:

- **Depth and Liquidity:** A developed money market has a large number of participants and a high volume of transactions, leading to deep and liquid markets for money market instruments. This allows investors to buy and sell securities with ease and at narrow bid-ask spreads.
- **Wide Range of Instruments:** A developed money market offers a wide range of instruments with varying maturities and risk profiles, such as Treasury bills, commercial paper, certificates of deposit, repos, and money market mutual funds. This variety allows investors to choose investments that meet their specific needs and risk preferences.
- **Efficient Price Discovery:** In a developed money market, prices of money market instruments are determined by market forces of supply and demand, leading to efficient price discovery. This ensures that prices accurately reflect the market's assessment of the value of these instruments.
- **Transparency and Information Availability:** Developed money markets are characterized by transparency, with information on prices, volumes, and market participants readily available to investors. This transparency enhances market efficiency and investor confidence.
- **Regulatory Framework:** A developed money market is supported by a robust regulatory framework that ensures market integrity, investor protection, and financial stability. Regulations govern the issuance, trading, and settlement of money market instruments, as well as the conduct of market participants.
- **Market Infrastructure:** Developed money markets have well-developed market infrastructure, including trading platforms, clearing and settlement systems, and market data providers. This infrastructure supports efficient trading and settlement of transactions.



- **Diverse Participants:** A developed money market attracts a diverse range of participants, including financial institutions, corporations, government entities, and individual investors. This diversity of participants contributes to market depth and liquidity.
- **Low Transaction Costs:** Due to the efficiency and liquidity of the market, transaction costs in a developed money market are relatively low, allowing investors to trade in and out of positions with minimal impact on prices.

Overall, a developed money market plays a crucial role in the economy by providing short-term financing, facilitating liquidity management, and serving as a benchmark for interest rates. It is an essential component of a well-functioning financial system.

### 8.3 Significance and Defects of Indian Money Market.

The Indian money market plays a significant role in the economy by providing short-term liquidity to financial institutions, facilitating the implementation of monetary policy, and serving as a platform for the efficient allocation of funds. However, it also faces several challenges and defects that impact its functioning. Let's explore the significance and defects of the Indian money market:

#### 8.3.1 Significance of the Indian Money Market:

- **Liquidity Management:** The money market helps financial institutions and the government manage their short-term liquidity needs by providing a platform for borrowing and lending funds.
- **Monetary Policy Transmission:** The Reserve Bank of India (RBI) uses various money market instruments to implement monetary policy. Changes in policy rates, such as the repo rate and reverse repo rate, influence interest rates in the money market, which, in turn, affect the broader economy.
- **Short-Term Financing:** The money market provides a source of short-term financing for businesses and government entities through instruments such as Treasury bills, commercial paper, and certificates of deposit.
- **Benchmark for Interest Rates:** The interest rates in the money market serve as benchmarks for other interest rates in the economy, influencing borrowing and lending decisions across various sectors.

#### 8.3.2 Defects of the Indian Money Market:

**Lack of Depth and Liquidity:** The Indian money market lacks depth and liquidity, especially in comparison to developed markets. This can lead to volatility in interest rates and difficulty in executing large transactions.

- **Limited Range of Instruments:** The range of money market instruments available in India is limited compared to developed markets. This restricts the ability of market participants to diversify their investments and manage risk effectively.
- **Regulatory Constraints:** The Indian money market is subject to various regulatory constraints, which can impede its efficiency and development. These constraints include restrictions on participation, pricing, and issuance of instruments.
- **Information Asymmetry:** There is often a lack of transparency and information asymmetry in the Indian money market, which can hinder efficient price discovery and investor confidence.
- **Infrastructure Challenges:** The infrastructure supporting the Indian money market, such as trading platforms and settlement systems, lags behind global standards. This can lead to operational inefficiencies and higher transaction costs.
- **Market Segmentation:** The Indian money market is segmented, with different segments catering to different types of participants. This segmentation can create inefficiencies and limit the overall

development of the market.

Despite these challenges, the Indian money market continues to evolve, with efforts being made to address these defects and improve its efficiency and effectiveness.

### MCQs

1. What is the financial market?

- A) A place where money is exchanged for goods
- B) A place where financial instruments such as stocks and bonds are traded
- C) A place where only banks operate
- D) A place where goods are produced

Answer: B) A place where financial instruments such as stocks and bonds are traded

2. Which of the following is NOT a function of financial markets?

- A) Facilitating the transfer of funds from savers to borrowers
- B) Determining the prices of financial assets
- C) Providing a platform for investors to speculate on commodity prices
- D) Allowing investors to diversify their portfolios

Answer: C) Providing a platform for investors to speculate on commodity prices

3. Which of the following is a characteristic of a well-functioning financial market?

- A) High transaction costs
- B) Low liquidity
- C) Efficient price discovery
- D) Limited access to information

Answer: C) Efficient price discovery

4. What is the significance of financial markets in the financial system?

- A) They provide a mechanism for companies to raise capital
- B) They facilitate the trading of financial assets
- C) They help in the allocation of resources
- D) All of the above

Answer: D) All of the above

5. Which of the following is an example of a financial market?

- A) Supermarket
- B) Stock market
- C) Flea market
- D) Farmers' market

Answer: B) Stock market

6. How do financial markets help in the allocation of resources?

- A) By providing a platform for trading financial assets
- B) By determining the prices of financial assets

- C) By directing funds from savers to borrowers
- D) All of the above

Answer: C) By directing funds from savers to borrowers

7. Which of the following is NOT a type of financial market?

- A) Money market
- B) Capital market
- C) Commodity market
- D) Labour market

Answer: D) Labour market

8. Why are financial markets considered important for economic growth?

- A) They help in the efficient allocation of resources
- B) They facilitate investment and capital formation
- C) They provide a platform for risk management
- D) All of the above

Answer: D) All of the above

9. Which of the following is a characteristic of a well-developed financial market?

- A) High level of regulation
- B) Low level of investor protection
- C) Diverse range of financial products
- D) Limited access to financial services

Answer: C) Diverse range of financial products

10. What role do financial markets play in the economy?

- A) They help in the efficient allocation of resources
- B) They facilitate economic growth and development
- C) They provide liquidity to investors
- D) All of the above

Answer: D) All of the above

11. What is the Industrial Securities Market?

- A) A market for trading industrial machinery
- B) A market for trading securities issued by industrial companies
- C) A market for trading raw materials
- D) A market for trading consumer goods

Answer: B) A market for trading securities issued by industrial companies

12. Which of the following securities are traded in the Industrial Securities Market?

- A) Stocks
- B) Bonds
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

13. What is the primary purpose of the Industrial Securities Market?

- A) To provide a platform for trading industrial products
- B) To provide financing to industrial companies
- C) To provide insurance to industrial companies
- D) To provide employment to industrial workers

Answer: B) To provide financing to industrial companies

14. Which of the following is NOT a participant in the Industrial Securities Market?

- A) Investors
  - B) Industrial companies
  - C) Government agencies
  - D) Stock exchanges
- Answer: C) Government agencies

15. How do industrial companies benefit from the Industrial Securities Market?

- A) By raising capital for expansion and growth
  - B) By diversifying their investment portfolio
  - C) By obtaining loans at lower interest rates
  - D) By reducing their operational costs
- Answer: A) By raising capital for expansion and growth

16. Which of the following is a characteristic of the Industrial Securities Market?

- A) High liquidity
  - B) Low risk
  - C) Long-term investment horizon
  - D) Limited trading hours
- Answer: C) Long-term investment horizon

17. How are securities traded in the Industrial Securities Market?

- A) Through physical trading floors
  - B) Through electronic trading platforms
  - C) Both A and B
  - D) None of the above
- Answer: C) Both A and B

18. What role do stock exchanges play in the Industrial Securities Market?

- A) They provide a platform for trading securities
  - B) They regulate the market and ensure compliance with rules and regulations
  - C) They facilitate the listing of securities issued by industrial companies
  - D) All of the above
- Answer: D) All of the above

20. Which of the following statements is true about the Industrial Securities Market?

- A) It is a market for trading agricultural products
- B) It is a market for trading securities issued by financial institutions
- C) It is a market for trading securities issued by industrial companies
- D) It is a market for trading real estate properties

Answer: C) It is a market for trading securities issued by industrial companies

20. What is the significance of the Industrial Securities Market in the economy?

- A) It provides financing to industrial companies for expansion and growth
- B) It facilitates investment and capital formation
- C) It contributes to economic development and job creation
- D) All of the above

Answer: D) All of the above

21. What is the Government Securities Market?

- A) A market for trading securities issued by government entities
- B) A market for trading securities issued by private companies
- C) A market for trading agricultural products
- D) A market for trading consumer goods

Answer: A) A market for trading securities issued by government entities

22. Which of the following securities are traded in the Government Securities Market?

- A) Treasury bills
- B) Government bonds
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

23. What is the primary purpose of the Government Securities Market?

- A) To provide financing to government entities
- B) To provide a platform for trading agricultural products
- C) To provide insurance to government entities
- D) To provide employment to government workers

Answer: A) To provide financing to government entities

24. Which of the following is NOT a participant in the Government Securities Market?

- A) Investors
- B) Government entities
- C) Private companies
- D) Financial institutions

Answer: C) Private companies

25. How do government entities benefit from the Government Securities Market?

- A) By raising capital for financing government projects



- B) By diversifying their investment portfolio
- C) By obtaining loans at lower interest rates
- D) By reducing their operational costs

Answer: A) By raising capital for financing government projects

26. Which of the following is a characteristic of the Government Securities Market?

- A) High liquidity
- B) Low risk
- C) Short-term investment horizon
- D) Limited trading hours

Answer: B) Low risk

27. How are securities traded in the Government Securities Market?

- A) Through physical trading floors
- B) Through electronic trading platforms
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

28. What role do financial institutions play in the Government Securities Market?

- A) They provide a platform for trading securities
- B) They regulate the market and ensure compliance with rules and regulations
- C) They facilitate the listing of securities issued by government entities
- D) All of the above

Answer: C) They facilitate the listing of securities issued by government entities

29. Which of the following statements is true about the Government Securities Market?

- A) It is a market for trading securities issued by private companies
- B) It is a market for trading securities issued by financial institutions
- C) It is a market for trading securities issued by government entities
- D) It is a market for trading real estate properties

Answer: C) It is a market for trading securities issued by government entities

30. What is the significance of the Government Securities Market in the economy?

- A) It provides financing to government entities for projects and operations
- B) It facilitates investment and capital formation
- C) It contributes to economic development and stability
- D) All of the above

Answer: D) All of the above

31. What is the Mortgages Market?

- A) A market for trading real estate properties
- B) A market for trading mortgage-backed securities
- C) A market for trading agricultural products

D) A market for trading consumer goods

Answer: B) A market for trading mortgage-backed securities

32. Which of the following securities are traded in the Mortgages Market?

A) Mortgage loans

B) Mortgage-backed securities

C) Both A and B

D) None of the above

Answer: C) Both A and B

33. What is the primary purpose of the Mortgages Market?

A) To provide financing to real estate developers

B) To provide a platform for trading real estate properties

C) To provide insurance to real estate investors

D) To provide employment to real estate agents

Answer: B) To provide a platform for trading mortgage-backed securities

34. Which of the following is NOT a participant in the Mortgages Market?

A) Investors

B) Real estate developers

C) Government agencies

D) Stock exchanges

Answer: D) Stock exchanges

35. How do investors benefit from the Mortgages Market?

A) By earning interest income from mortgage-backed securities

B) By diversifying their investment portfolio

C) By obtaining loans at lower interest rates

D) By reducing their operational costs

Answer: A) By earning interest income from mortgage-backed securities

36. Which of the following is a characteristic of the Mortgages Market?

A) High liquidity

B) Low risk

C) Long-term investment horizon

D) Limited trading hours

Answer: C) Long-term investment horizon

37. How are securities traded in the Mortgages Market?

A) Through physical trading floors

B) Through electronic trading platforms

C) Both A and B

D) None of the above

Answer: C) Both A and B

38. What role do financial institutions play in the Mortgages Market?

- A) They provide financing for real estate projects
- B) They facilitate the trading of mortgage-backed securities
- C) They regulate the market and ensure compliance with rules and regulations
- D) All of the above

Answer: B) They facilitate the trading of mortgage-backed securities

39. Which of the following statements is true about the Mortgages Market?

- A) It is a market for trading real estate properties
- B) It is a market for trading securities issued by private companies
- C) It is a market for trading securities issued by government entities
- D) It is a market for trading agricultural products

Answer: A) It is a market for trading real estate properties

40. What is the Financial Guarantee Market?

- A) A market for trading financial derivatives
- B) A market for trading insurance policies
- C) A market for trading securities backed by financial guarantees
- D) A market for trading foreign exchange

Answer: C) A market for trading securities backed by financial guarantees

41. MCQs on Money Market in India:

What is the Money Market?

- A) A market for trading money
- B) A market for trading stocks
- C) A market for short-term debt securities
- D) A market for trading commodities

Answer: C) A market for short-term debt securities

42. Which of the following securities are traded in the Money Market?

- A) Treasury bills
- B) Commercial papers
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

43. What is the primary purpose of the Money Market?

- A) To provide financing for long-term projects
- B) To provide a platform for trading stocks
- C) To provide insurance to investors
- D) To provide short-term funds for borrowers

Answer: D) To provide short-term funds for borrowers

44. Which of the following is NOT a participant in the Money Market?

- A) Investors
- B) Borrowers
- C) Stock exchanges
- D) Financial institutions

Answer: C) Stock exchanges

45. How do borrowers benefit from the Money Market?

- A) By obtaining short-term funds at lower interest rates
- B) By diversifying their investment portfolio
- C) By obtaining long-term financing for projects
- D) By reducing their operational costs

Answer: A) By obtaining short-term funds at lower interest rates

46. Which of the following is a characteristic of the Money Market?

- A) High liquidity
- B) High risk
- C) Long-term investment horizon
- D) Limited trading hours

Answer: A) High liquidity

47. How are securities traded in the Money Market?

- A) Through physical trading floors
- B) Through electronic trading platforms
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

48. What role do financial institutions play in the Money Market?

- A) They provide short-term funds to borrowers
- B) They regulate the market and ensure compliance with rules and regulations
- C) They facilitate the trading of short-term debt securities
- D) All of the above

Answer: D) All of the above

49. Which of the following statements is true about the Money Market?

- A) It is a market for trading long-term securities
- B) It is a market for trading commodities
- C) It is a market for trading short-term debt securities
- D) It is a market for trading real estate properties

Answer: C) It is a market for trading short-term debt securities

50. What is the significance of the Money Market in the economy?

- A) It provides financing for long-term projects
- B) It facilitates investment and capital formation

- C) It provides short-term funds for borrowers and helps in liquidity management
- D) All of the above

Answer: C) It provides short-term funds for borrowers and helps in liquidity management

51. Which of the following is a characteristic of a developed money market?

- A) Low liquidity
- B) Limited range of participants
- C) High level of transparency
- D) Limited availability of short-term financing options

Answer: C) High level of transparency

52. In a developed money market, which of the following is typically true?

- A) Higher interest rates
- B) Lower risk
- C) Limited access to funds
- D) Fewer financial instruments

Answer: B) Lower risk

53. Which of the following is NOT a characteristic of a developed money market?

- A) Diverse range of participants
- B) Efficient price discovery
- C) Limited regulations
- D) High liquidity

Answer: C) Limited regulations

54. A developed money market is characterized by:

- A) High transaction costs
- B) Limited investor protection
- C) Diverse range of financial products
- D) Lack of transparency

Answer: C) Diverse range of financial products

55. Which of the following is an essential feature of a developed money market?

- A) Limited access to short-term funds
- B) Centralized trading
- C) High level of competition among participants
- D) Inefficient price discovery mechanism

Answer: C) High level of competition among participants

56. What is the significance of the Indian money market?

- A) It provides short-term funds for borrowers
- B) It facilitates investment and capital formation
- C) It promotes economic stability
- D) All of the above



Answer: D) All of the above

57. How does the Indian money market contribute to economic development?

- A) By providing liquidity to financial institutions
- B) By offering short-term financing options to businesses
- C) By facilitating the implementation of monetary policy
- D) All of the above

Answer: D) All of the above

58. Which of the following statements is true about the Indian money market?

- A) It is only accessible to large financial institutions
  - B) It is highly regulated by the government
  - C) It is characterized by low liquidity
  - D) It plays a crucial role in the transmission of monetary policy
- Answer: D) It plays a crucial role in the transmission of monetary policy

59. What role does the Indian money market play in providing short-term funds?

- A) It allows businesses to borrow money for long-term investments
- B) It provides a platform for trading long-term securities
- C) It offers short-term financing options to meet working capital needs
- D) None of the above

Answer: C) It offers short-term financing options to meet working capital needs

60. What are some of the defects of the Indian money market?

- A) Lack of diversity in financial products
- B) Inefficient price discovery mechanism
- C) Limited access to short-term funds
- D) All of the above

Answer: D) All of the above

61. Which of the following is a common criticism of the Indian money market?

- A) Lack of transparency
- B) High liquidity
- C) Diverse range of participants
- D) Efficient price discovery mechanism

Answer: A) Lack of transparency

62. How does the lack of diversity in financial products affect the Indian money market?

- A) It limits investment opportunities
- B) It increases the risk for investors
- C) It reduces the efficiency of the market
- D) All of the above

Answer: D) All of the above

63. Which of the following is NOT a defect of the Indian money market?

- A) Limited regulations
- B) Lack of liquidity
- C) Inefficient price discovery mechanism
- D) Limited access to short-term funds

Answer: A) Limited regulations

64. How does the inefficient price discovery mechanism affect the Indian money market?

- A) It leads to mispricing of financial products
- B) It increases the risk for investors
- C) It reduces the efficiency of the market
- D) All of the above

Answer: D) All of the above

65. What is one way to address the defects of the Indian money market?

- A) Increase government intervention
- B) Improve regulations and transparency
- C) Limit access to short-term funds
- D) None of the above

Answer: B) Improve regulations and transparency

66. Which of the following is an instrument of the money market?

- A) Corporate bonds
- B) Treasury bills
- C) Common stock
- D) Municipal bonds

Answer: B) Treasury bills

67. Commercial paper is issued by:

- A) Central government
- B) State government
- C) Corporations
- D) Banks

Answer: C) Corporations

68. Which of the following is a short-term money market instrument issued by the central government?

- A) Commercial paper
- B) Certificate of deposit
- C) Treasury bill
- D) Repurchase agreement

Answer: C) Treasury bill

69. Which of the following is a negotiable certificate of deposit (CD)?

- A) A fixed deposit with a bank
- B) A short-term promissory note issued by a bank

- C) A long-term bond issued by a corporation
- D) A mutual fund

Answer: B) A short-term promissory note issued by a bank

70. Which of the following money market instruments is used by banks to meet short-term funding needs?

- A) Commercial paper
- B) Treasury bills
- C) Certificate of deposit
- D) Equity shares

Answer: C) Certificate of deposit

71. Which of the following is a feature of money market instruments?

- A) They have a maturity of more than one year
- B) They are highly liquid
- C) They are not traded in the secondary market
- D) They offer high returns

Answer: B) They are highly liquid

72. Which of the following money market instruments is used for short-term borrowing and lending between banks?

- A) Commercial paper
- B) Treasury bills
- C) Certificate of deposit
- D) Repurchase agreement

Answer: D) Repurchase agreement

73. Which of the following is a characteristic of commercial paper?

- A) It has a maturity of less than one year
- B) It is issued by the central government
- C) It is a type of bond
- D) It is not a negotiable instrument

Answer: A) It has a maturity of less than one year

74. Which of the following is a money market instrument issued by the Reserve Bank of India (RBI)?

- A) Commercial paper
- B) Treasury bills
- C) Certificate of deposit
- D) Equity shares

Answer: B) Treasury bills

75. Which of the following is a characteristic of a repurchase agreement (repo)?

- A) It is a long-term loan
- B) It involves the sale of securities with an agreement to repurchase them at a later date
- C) It is issued by the central government
- D) It is not a secured loan

Answer: B) It involves the sale of securities with an agreement to repurchase them at a later date

76. Which of the following is an example of a non-negotiable money market instrument?

- A) Treasury bill
- B) Commercial paper
- C) Certificate of deposit
- D) Banker's acceptance

Answer: C) Certificate of deposit

77. Which of the following money market instruments is backed by the credit of the issuing bank?

- A) Treasury bill
- B) Commercial paper
- C) Certificate of deposit
- D) Banker's acceptance

Answer: C) Certificate of deposit

78. Which of the following money market instruments is issued at a discount to its face value?

- A) Treasury bill
- B) Commercial paper
- C) Certificate of deposit
- D) Banker's acceptance

Answer: A) Treasury bill

79. Which of the following money market instruments is used to finance international trade transactions?

- A) Treasury bill
- B) Commercial paper
- C) Certificate of deposit
- D) Banker's acceptance

Answer: D) Banker's acceptance

80. Which of the following is a characteristic of a money market instrument?

- A) It has a maturity of more than ten years
- B) It is highly volatile
- C) It is highly liquid
- D) It offers a high rate of return

Answer: C) It is highly liquid

81. Which of the following is an example of a financial service?

- A) Manufacturing goods
- B) Providing healthcare
- C) Offering investment advice
- D) Conducting research

Answer: C) Offering investment advice

82. Which of the following is NOT a type of financial service?

- A) Banking

- B) Insurance
- C) Healthcare
- D) Investment management

Answer: C) Healthcare

83. Which of the following financial services involves pooling funds from investors to invest in a diversified portfolio of securities?

- A) Banking
- B) Insurance
- C) Mutual funds
- D) Stock broking

Answer: C) Mutual funds

84. Which of the following is a characteristic of financial services?

- A) Tangibility
- B) Perishability
- C) Homogeneity
- D) Simplicity

Answer: B) Perishability

85. Which of the following financial services involves providing loans and accepting deposits from customers?

- A) Insurance
- B) Investment banking
- C) Stock broking
- D) Banking

Answer: D) Banking

86. Which of the following is a function of financial services?

- A) Producing goods
- B) Distributing products
- C) Managing risks
- D) Conducting research

Answer: C) Managing risks

87. Which of the following financial services involves protecting individuals and businesses against financial losses?

- A) Banking
- B) Investment banking
- C) Insurance
- D) Mutual funds

Answer: C) Insurance

88. Which of the following financial services involves buying and selling securities on behalf of clients?

- A) Banking



- B) Insurance
- C) Stock broking
- D) Investment management

Answer: C) Stock broking

89. Which of the following is a characteristic of financial services?

- A) Perishability
- B) Tangibility
- C) Homogeneity
- D) Simplicity

Answer: A) Perishability

90. Which of the following financial services involves advising clients on investment strategies and managing their investment portfolios?

- A) Banking
- B) Insurance
- C) Investment management
- D) Mutual funds

Answer: C) Investment management

91. Which of the following is an example of a financial product?

- A) Car
- B) Television
- C) Mutual fund
- D) Clothing

Answer: C) Mutual fund

92. Which of the following is NOT a type of financial product?

- A) Stock
- B) Bond
- C) Real estate
- D) Insurance policy

Answer: C) Real estate

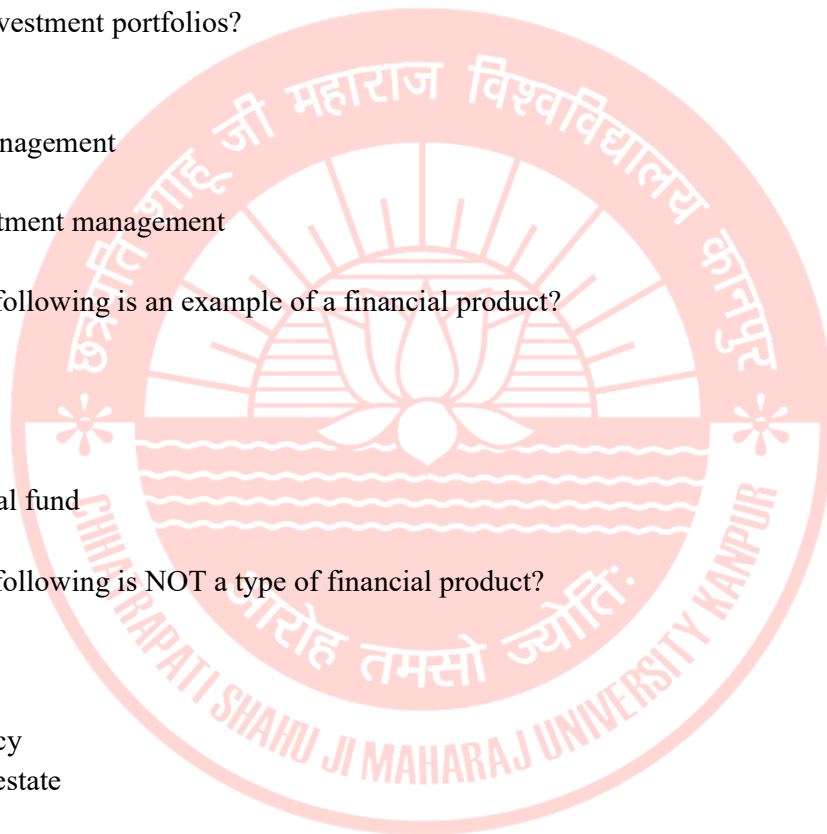
93. Which of the following financial products pays a fixed interest rate over a specified period?

- A) Stock
- B) Bond
- C) Mutual fund
- D) Equity

Answer: B) Bond

94. Which of the following financial products represents ownership in a company?

- A) Bond
- B) Mutual fund
- C) Stock
- D) Insurance policy



Answer: C) Stock

95. Which of the following is a characteristic of financial products?

- A) Tangibility
- B) Perishability
- C) Homogeneity
- D) Simplicity

Answer: C) Homogeneity

96. Which of the following financial products provides protection against financial losses? A) Stock

- B) Bond
- C) Insurance policy
- D) Mutual fund

Answer: C) Insurance policy

97. Which of the following financial products is a type of investment fund that pools money from investors to invest in securities?

- A) Stock
- B) Bond
- C) Mutual fund
- D) Certificate of deposit

Answer: C) Mutual fund

98. Which of the following financial products allows investors to participate in the performance of a company?

- A) Bond
- B) Mutual fund
- C) Stock
- D) Insurance policy

Answer: C) Stock

99. Which of the following is a characteristic of financial products?

- A) Perishability
- B) Tangibility
- C) Homogeneity
- D) Simplicity

Answer: B) Tangibility

100. Which of the following financial products provides a loan to a government or corporation in exchange for periodic interest payments?

- A) Stock
- B) Bond
- C) Mutual fund
- D) Insurance policy

Answer: B) Bond



## 1. New Issue Market:

**1.1 Meaning:** The new issue market, also known as the primary market, is where newly issued securities are bought and sold for the first time. It is where companies raise capital by issuing new securities to investors.

### 1.2 Functions of New Issue Market:

- **Capital Formation:** The primary function of the new issue market is to facilitate capital formation by enabling companies to raise funds for various purposes such as expansion, modernization, and diversification.
- **Facilitating Investment:** It provides investors with the opportunity to invest in new securities and participate in the growth of the issuing companies.
- **Price Discovery:** The new issue market helps in determining the price of newly issued securities based on market demand and supply dynamics.
- **Providing Liquidity:** It provides liquidity to existing investors by allowing them to sell their securities in the market.
- **Market Development:** The new issue market contributes to the development of the overall securities market by increasing the number of listed companies and enhancing market efficiency.

### 1.3 Instruments of New Issues:

- **Equity Shares:** Companies issue equity shares to raise long-term capital. These shares represent ownership in the company.
- **Preference Shares:** Preference shares are issued to raise long-term capital. They carry a fixed rate of dividend and have preferential rights over equity shares.
- **Debentures:** Debentures are long-term debt instruments issued by companies to raise funds. They carry a fixed rate of interest and have a maturity period.
- **Bonds:** Bonds are similar to debentures but are typically issued by government entities or financial institutions.

### 1.4 Players and Their Role in the New Issue Market:

- **Issuing Company:** The issuing company is the entity that offers its securities to the public. Its role is to raise funds for its business operations.
- **Underwriter:** The underwriter is a financial institution or individual that guarantees the sale of securities issued by the company. They play a crucial role in ensuring the success of the issue.
- **Lead Manager:** The lead manager is responsible for managing the entire process of the new issue. They coordinate with the company, underwriter, and other parties involved in the issue.
- **Registrar and Transfer Agent:** The registrar and transfer agent are responsible for maintaining records of shareholders and processing the transfer of securities.
- **Investors:** Investors are individuals or institutions that purchase securities issued by the company. They provide the funds required by the company and expect a return on their investment.
- **Issue Pricing and Marketing:** Issue pricing is determined based on various factors such as the

company's financial performance, market conditions, and investor demand. The pricing is crucial as it affects the success of the issue and the company's ability to raise funds.

**Marketing of new issues** involves creating awareness about the issue among potential investors. This is done through advertising, roadshows, and other promotional activities to generate interest and demand for the securities.

### 1.5 Defects of New Issue Market:

- **Underpricing:** Sometimes, new issues are underpriced, leading to losses for the issuing company and investors.
- **Overpricing:** On the other hand, overpricing of new issues can lead to low investor interest and failure of the issue.
- **Lack of Transparency:** The new issue market may lack transparency, leading to information asymmetry between issuers and investors.
- **Market Manipulation:** There may be instances of market manipulation in the new issue market, affecting the pricing and performance of the issue.

### 1.6 Remedies for Defects:

- **Regulatory Oversight:** Strong regulatory oversight can help prevent issues such as underpricing, overpricing, and market manipulation.
- **Disclosure Requirements:** Mandating companies to provide comprehensive and accurate information to investors can enhance transparency in the market.
- **Investor Education:** Educating investors about the new issue market and investment risks can help them make informed decisions.
- **Market Surveillance:** Continuous monitoring of the market for suspicious activities can help detect and prevent market manipulation.

Overall, a well-functioning new issue market is essential for the efficient allocation of capital and the growth of the economy. Addressing the defects and implementing remedies can help strengthen the new issue market and enhance investor confidence.

### MCQs

1. What is the capital market?  
A) A market for buying and selling goods and services  
B) A market for long-term debt and equity securities  
C) A market for short-term debt securities  
D) A market for foreign exchange

Answer: B) A market for long-term debt and equity securities



2. Which of the following is a function of the capital market?

- A) Providing short-term financing
- B) Facilitating the buying and selling of goods
- C) Allocating financial resources for long-term investment
- D) None of the above

Answer: C) Allocating financial resources for long-term investment

3. The primary purpose of the capital market is to:

- A) Provide short-term financing for businesses
- B) Allocate financial resources for long-term investment
- C) Facilitate international trade
- D) None of the above

Answer: B) Allocate financial resources for long-term investment

4. Which of the following is an example of a capital market instrument?

- A) Treasury bills
- B) Corporate bonds
- C) Commercial paper
- D) All of the above

Answer: B) Corporate bonds

5. The capital market helps in:

- A) Generating short-term profits
- B) Allocating financial resources efficiently
- C) Providing liquidity for short-term needs
- D) None of the above

Answer: B) Allocating financial resources efficiently

6. Which of the following is a characteristic of the capital market?

- A) Focuses on short-term investments
- B) Offers low-risk investment options
- C) Facilitates the trading of securities after the initial issuance
- D) None of the above

Answer: C) Facilitates the trading of securities after the initial issuance

7. The capital market plays a crucial role in:

- A) Funding government projects
- B) Providing short-term loans to individuals
- C) Financing long-term investments
- D) None of the above

Answer: C) Financing long-term investments

8. Which of the following is a function of the capital market?

- A) Providing liquidity for short-term needs
- B) Facilitating international trade
- C) Allocating financial resources for long-term investment
- D) All of the above

Answer: C) Allocating financial resources for long-term investment

9. The capital market is essential for:

- A) Short-term borrowing
- B) Long-term investments
- C) Currency trading
- D) None of the above

Answer: B) Long-term investments

10. The capital market helps in:

- A) Allocating resources efficiently
- B) Providing short-term financing
- C) Facilitating day-to-day transactions
- D) None of the above

Answer: A) Allocating resources efficiently

11. What is the new issue market?

- A) A market for trading existing securities
- B) A market for issuing new securities to the public
- C) A market for short-term financing
- D) A market for foreign exchange

Answer: B) A market for issuing new securities to the public

12. The new issue market is also known as the:

- A) Primary market
- B) Secondary market
- C) Money market
- D) Capital market

Answer: A) Primary market

13. Which of the following is a function of the new issue market?

- A) Providing liquidity for existing securities
- B) Facilitating the trading of securities after the initial issuance
- C) Raising capital for companies through the issuance of new securities
- D) None of the above

Answer: C) Raising capital for companies through the issuance of new securities

14. The primary purpose of the new issue market is to:

- A) Provide short-term financing for businesses
- B) Facilitate the buying and selling of goods

- C) Allocate financial resources for long-term investment
  - D) Raise capital for companies through the issuance of new securities
- Answer: D) Raise capital for companies through the issuance of new securities

15. Which of the following is an example of a new issue market instrument?

- A) Treasury bills
- B) Corporate bonds
- C) Commercial paper
- D) All of the above

Answer: B) Corporate bonds

16. The new issue market helps companies in:

- A) Generating short-term profits
- B) Raising long-term capital
- C) Providing liquidity for short-term needs
- D) None of the above

Answer: B) Raising long-term capital

17. Which of the following is a characteristic of the new issue market?

- A) Focuses on trading existing securities
- B) Offers low-risk investment options
- C) Facilitates the initial issuance of securities to the public
- D) None of the above

Answer: C) Facilitates the initial issuance of securities to the public

18. The new issue market plays a crucial role in:

- A) Funding government projects
- B) Providing short-term loans to individuals
- C) Financing long-term investments
- D) None of the above

Answer: C) Financing long-term investments

19. Which of the following is a function of the new issue market?

- A) Providing liquidity for short-term needs
- B) Facilitating international trade
- C) Allocating financial resources for long-term investment
- D) All of the above

Answer: C) Allocating financial resources for long-term investment

20. The new issue market is essential for:

- A) Short-term borrowing
- B) Long-term investments
- C) Currency trading
- D) None of the above

Answer: B) Long-term investments

21. Which of the following is an instrument used in the new issue market?

- A) Treasury bills
- B) Corporate bonds
- C) Commercial paper
- D) All of the above

Answer: D) All of the above

22. What is a corporate bond?

- A) A short-term debt instrument issued by the government
- B) A long-term debt instrument issued by a corporation
- C) A form of equity financing
- D) A type of currency trading instrument

Answer: B) A long-term debt instrument issued by a corporation

23. What is commercial paper?

- A) A long-term debt instrument issued by a corporation
- B) A short-term debt instrument issued by a corporation
- C) A form of equity financing
- D) A type of currency trading instrument

Answer: B) A short-term debt instrument issued by a corporation

24. Which of the following is an equity instrument?

- A) Corporate bond
- B) Commercial paper
- C) Common stock
- D) Treasury bill

Answer: C) Common stock

25. What is a treasury bill?

- A) A long-term debt instrument issued by the government
- B) A short-term debt instrument issued by the government
- C) A form of equity financing
- D) A type of currency trading instrument

Answer: B) A short-term debt instrument issued by the government

26. Which instrument represents ownership in a corporation?

- A) Corporate bond
- B) Commercial paper
- C) Common stock
- D) Treasury bill

Answer: C) Common stock

27. What is a debenture?

- A) A long-term debt instrument secured by specific assets
- B) A short-term debt instrument issued by the government
- C) A form of equity financing
- D) A long-term debt instrument not secured by specific assets

Answer: D) A long-term debt instrument not secured by specific assets

28. Which of the following is a characteristic of preference shares?

- A) They carry voting rights
- B) They have a fixed dividend rate
- C) They represent ownership in a corporation
- D) They have priority over common shares in dividend payments

Answer: D) They have priority over common shares in dividend payments

29. What is a rights issue?

- A) An issue of new shares to existing shareholders
- B) An issue of debt securities to raise capital
- C) An issue of new shares to the public
- D) An issue of preference shares

Answer: A) An issue of new shares to existing shareholders

30. What is a bonus issue?

- A) An issue of new shares to existing shareholders
- B) An issue of debt securities to raise capital
- C) An issue of new shares to the public
- D) An issue of preference shares

Answer: A) An issue of new shares to existing shareholders

31. Who are the primary players in the new issue market?

- A) Retail investors
- B) Institutional investors
- C) Issuing companies
- D) All of the above

Answer: D) All of the above

32. Which of the following is a role of retail investors in the new issue market?

- A) Issuing new securities
- B) Underwriting new securities
- C) Purchasing new securities
- D) None of the above

Answer: C) Purchasing new securities

33. Institutional investors play a significant role in the new issue market by:

- A) Underwriting new securities



- B) Purchasing large quantities of new securities
- C) Issuing new securities
- D) None of the above

Answer: B) Purchasing large quantities of new securities

34. Who is responsible for issuing new securities in the new issue market?

- A) Retail investors
- B) Institutional investors
- C) Issuing companies
- D) None of the above

Answer: C) Issuing companies

35. Underwriters in the new issue market are responsible for:

- A) Issuing new securities
- B) Purchasing new securities
- C) Guaranteeing the sale of new securities
- D) None of the above

Answer: C) Guaranteeing the sale of new securities

36. Which of the following is a function of underwriters in the new issue market?

- A) Selling existing securities
- B) Purchasing new securities
- C) Guaranteeing the sale of new securities
- D) None of the above

Answer: C) Guaranteeing the sale of new securities

37. Who provides advisory services to companies in the new issue market?

- A) Retail investors
- B) Institutional investors
- C) Merchant bankers
- D) None of the above

Answer: C) Merchant bankers

38. What is the role of merchant bankers in the new issue market?

- A) Purchasing new securities
- B) Guaranteeing the sale of new securities
- C) Providing advisory services to companies
- D) None of the above

Answer: C) Providing advisory services to companies

39. Who is responsible for regulating the new issue market in India?

- A) Securities and Exchange Board of India (SEBI)
- B) Reserve Bank of India (RBI)
- C) Ministry of Finance

D) None of the above

Answer: A) Securities and Exchange Board of India (SEBI)

40. Which of the following is a function of SEBI in the new issue market?

- A) Issuing new securities
- B) Regulating the new issue market
- C) Purchasing new securities
- D) None of the above

Answer: B) Regulating the new issue market

41. What is the issuing price in the new issue market?

- A) The price at which existing securities are traded
- B) The price at which new securities are issued to the public
- C) The price at which underwriters purchase new securities
- D) None of the above

Answer: B) The price at which new securities are issued to the public

42. The issuing price is determined by:

- A) Retail investors
- B) Institutional investors
- C) Issuing companies
- D) Market forces and underwriters

Answer: D) Market forces and underwriters

43. What is the role of underwriters in determining the issuing price?

- A) They set the issuing price based on their own valuation
- B) They negotiate the issuing price with the issuing company
- C) They use market demand and supply to determine the issuing price
- D) None of the above

Answer: C) They use market demand and supply to determine the issuing price

44. Which of the following is a factor that influences the issuing price?

- A) Issuing company's financial performance
- B) Market conditions
- C) Investor sentiment
- D) All of the above

Answer: D) All of the above

45. What is the purpose of marketing in the new issue market?

- A) To promote the issuing company's products
- B) To create awareness about the new securities being issued
- C) To increase the market price of existing securities
- D) None of the above

Answer: B) To create awareness about the new securities being issued

46. Who is responsible for marketing new securities in the new issue market?

- A) Underwriters
- B) Issuing companies
- C) Institutional investors
- D) None of the above

Answer: A) Underwriters

47. How do underwriters market new securities?

- A) Through advertisements
- B) Through roadshows and presentations
- C) Through social media campaigns
- D) All of the above

Answer: B) Through roadshows and presentations

48. What is the purpose of setting an optimal issuing price?

- A) To maximize profits for the issuing company
- B) To attract investors and ensure a successful issue
- C) To manipulate market prices
- D) None of the above

Answer: B) To attract investors and ensure a successful issue

49. Which of the following is a marketing strategy used in the new issue market?

- A) Pricing the securities below market value
- B) Limiting the number of securities available
- C) Offering discounts to early investors
- D) All of the above

Answer: D) All of the above

50. What is the role of pricing analysts in the new issue market?

- A) To determine the market value of securities
- B) To set the issuing price
- C) To negotiate with underwriters
- D) None of the above

Answer: A) To determine the market value of securities

51. What is a common defect of the new issue market?

- A) Overpricing of securities
- B) Underpricing of securities
- C) Lack of demand for securities
- D) All of the above

Answer: D) All of the above

52. Overpricing of securities in the new issue market can lead to:

- A) High investor demand
- B) Low investor demand
- C) Stable market prices
- D) None of the above

Answer: B) Low investor demand

53. Underpricing of securities in the new issue market can lead to:

- A) High investor demand
- B) Low investor demand
- C) Stable market prices
- D) None of the above

Answer: A) High investor demand

54. What is the impact of overpricing on the issuing company?

- A) Increased capital raised
- B) Decreased capital raised
- C) No impact on capital raised
- D) None of the above

Answer: B) Decreased capital raised

55. Underpricing in the new issue market can result in:

- A) Losses for investors
- B) Higher returns for investors
- C) Stable market prices
- D) None of the above

Answer: B) Higher returns for investors

56. What is the impact of underpricing on the issuing company?

- A) Increased capital raised
- B) Decreased capital raised
- C) No impact on capital raised
- D) None of the above

Answer: A) Increased capital raised

57. Lack of demand for securities in the new issue market can be due to:

- A) High issuing price
- B) Low issuing price
- C) Strong market conditions
- D) None of the above

Answer: A) High issuing price

58. What is a consequence of low investor demand in the new issue market?

- A) Stable market prices
- B) Decreased capital raised

- C) Increased capital raised
- D) None of the above

Answer: B) Decreased capital raised

59. How does overpricing affect the aftermarket performance of securities?

- A) It improves aftermarket performance
- B) It worsens aftermarket performance
- C) It has no impact on aftermarket performance
- D) None of the above

Answer: B) It worsens aftermarket performance

60. What is a potential consequence of defects in the new issue market?

- A) Increased investor confidence
- B) Decreased investor confidence
- C) Stable market conditions
- D) None of the above

Answer: B) Decreased investor confidence

61. What is a common remedy for overpricing in the new issue market?

- A) Allotment at the discretion of the company
- B) Setting a reasonable issuing price
- C) Limiting the number of securities available
- D) None of the above

Answer: B) Setting a reasonable issuing price

62. How can underpricing in the new issue market be remedied?

- A) Increasing the issuing price
- B) Decreasing the issuing price
- C) Allowing more securities to be issued
- D) None of the above

Answer: A) Increasing the issuing price

63. What is a measure to address lack of demand for securities in the new issue market?

- A) Increasing the issuing price
- B) Decreasing the issuing price
- C) Increasing the number of securities available
- D) None of the above

Answer: B) Decreasing the issuing price

64. How can overpricing affect investor confidence in the new issue market?

- A) It can increase investor confidence
- B) It can decrease investor confidence
- C) It has no impact on investor confidence
- D) None of the above

Answer: B) It can decrease investor confidence

65. What is a potential remedy for lack of transparency in the new issue market?

- A) Releasing detailed prospectuses
- B) Limiting the number of securities available
- C) Allowing only institutional investors to participate
- D) None of the above

Answer: A) Releasing detailed prospectuses

66. How can underwriters help remedy defects in the new issue market?

- A) By underpricing securities
- B) By guaranteeing the sale of securities
- C) By limiting the number of securities available
- D) None of the above

Answer: B) By guaranteeing the sale of securities

67. What is a measure to address underpricing in the new issue market?

- A) Increasing the issuing price
- B) Decreasing the issuing price
- C) Limiting the number of securities available
- D) None of the above

Answer: A) Increasing the issuing price

68. How can regulatory oversight help improve the new issue market?

- A) By increasing issuing prices
- B) By ensuring fair practices and transparency
- C) By limiting the number of securities available
- D) None of the above

Answer: B) By ensuring fair practices and transparency

69. What is a potential remedy for underpricing in the new issue market?

- A) Allowing more securities to be issued
- B) Increasing the issuing price
- C) Decreasing the issuing price
- D) None of the above

Answer: B) Increasing the issuing price

70. How can market research help improve the new issue market?

- A) By setting issuing prices
- B) By identifying investor demand
- C) By limiting the number of securities available
- D) None of the above

Answer: B) By identifying investor demand



71. Which of the following types of shares gives the holder the right to a fixed dividend, typically paid before dividends on ordinary shares?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Cumulative preference shares

Answer: A) Preference shares

72. Which of the following types of shares has the highest claim on the company's assets and profits?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Cumulative preference shares

Answer: B) Equity shares

73. Which of the following types of shares gives the holder the right to vote at company meetings?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Cumulative preference shares

Answer: B) Equity shares

74. Which of the following types of shares is issued with a condition that any dividends not paid in one year are carried forward to the next year?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Cumulative preference shares

Answer: D) Cumulative preference shares

75. Which of the following types of shares does not have a fixed dividend rate?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Cumulative preference shares

Answer: B) Equity shares

76. Which of the following types of shares is typically convertible into equity shares after a specified period?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Convertible preference shares

Answer: D) Convertible preference shares

77. Which of the following types of shares gives the holder the right to receive dividends after the holders of preference shares have been paid?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Ordinary shares

Answer: D) Ordinary shares

78. Which of the following types of shares is issued without any special rights or restrictions?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Cumulative preference shares

Answer: B) Equity shares

79. Which of the following types of shares is typically issued with a fixed dividend rate and preference in payment over ordinary shares?

- A) Preference shares
- B) Equity shares
- C) Debentures
- D) Cumulative preference shares

Answer: A) Preference shares

80. Which of the following types of shares is not considered as equity share?

- A) Preference shares
- B) Bonus shares
- C) Right shares
- D) Ordinary shares

Answer: A) Preference shares

81. Which of the following types of shares is issued at a discount?

- A) Preference shares
- B) Cumulative preference shares
- C) Equity shares
- D) Right shares

Answer: D) Right shares

82. Which of the following types of shares is issued to existing shareholders in proportion to their existing holdings?

- A) Preference shares
- B) Cumulative preference shares
- C) Equity shares
- D) Bonus shares

Answer: D) Bonus shares

83. Which of the following types of shares has a fixed rate of dividend?

- A) Preference shares
- B) Cumulative preference shares
- C) Equity shares
- D) Bonus shares

Answer: A) Preference shares

84. Which of the following types of shares has no voting rights? A) Preference shares  
B) Cumulative preference shares  
C) Equity shares  
D) Debentures

Answer: A) Preference shares

85. Which of the following types of shares is issued with a condition that the dividend on these shares is payable only if the company earns a profit?

- A) Preference shares
- B) Cumulative preference shares
- C) Equity shares
- D) Debentures

Answer: A) Preference shares

86. Which of the following is a type of debt instrument issued by a company to raise long-term funds?

- A) Debenture
- B) Equity share
- C) Preference share
- D) Mutual fund

Answer: A) Debenture

87. Which of the following statements is true about debentures?

- A) They give ownership rights in the company
- B) They are always secured against company assets
- C) They pay a fixed rate of interest
- D) They are always convertible into equity shares

Answer: C) They pay a fixed rate of interest

88. Which of the following is a type of debenture that is not secured by any collateral?

- A) Secured debenture
- B) Unsecured debenture
- C) Convertible debenture
- D) Redeemable debenture

Answer: B) Unsecured debenture

89. Which of the following is a feature of convertible debentures?

- A) They pay a fixed rate of interest
- B) They are not convertible into equity shares
- C) They can be converted into equity shares at the option of the holder

D) They are always secured against company assets

Answer: C) They can be converted into equity shares at the option of the holder

90. Which of the following is a characteristic of secured debentures?

A) They do not require any collateral

B) They pay a variable rate of interest

C) They are backed by company assets

D) They are always convertible into equity shares

Answer: C) They are backed by company assets

91. Which of the following is a type of debenture that can be converted into equity shares at a predetermined price?

A) Redeemable debenture

B) Secured debenture

C) Convertible debenture

D) Unsecured debenture

Answer: C) Convertible debenture

92. Which of the following is a characteristic of bonds?

A) They are always issued by governments

B) They cannot be traded in the secondary market

C) They pay a fixed rate of interest

D) They do not have a maturity date

Answer: C) They pay a fixed rate of interest

93. Which of the following is a type of bond issued by the government to finance its budget deficit?

A) Corporate bond

B) Treasury bond

C) Municipal bond

D) Zero-coupon bond

Answer: B) Treasury bond

94. Which of the following is a feature of municipal bonds?

A) They are issued by the central government

B) They are always secured against company assets

C) They are exempt from federal income tax

D) They pay a variable rate of interest

Answer: C) They are exempt from federal income tax

95. Which of the following is a type of bond that does not pay periodic interest but is sold at a discount and redeemed at face value?

A) Corporate bond

B) Treasury bond

C) Municipal bond

D) Zero-coupon bond

Answer: D) Zero-coupon bond

96. Which of the following is a characteristic of zero-coupon bonds?

- A) They pay a fixed rate of interest
- B) They are always issued by governments
- C) They do not have a maturity date
- D) They do not pay periodic interest

Answer: D) They do not pay periodic interest

97. Which of the following is a type of bond issued by local governments to finance infrastructure projects?

- A) Corporate bond
- B) Treasury bond
- C) Municipal bond
- D) Zero-coupon bond

Answer: C) Municipal bond

98. Which of the following is a feature of corporate bonds?

- A) They are always issued by governments
- B) They are backed by company assets
- C) They are exempt from federal income tax
- D) They do not pay periodic interest

Answer: B) They are backed by company assets

99. Which of the following is a type of bond that can be redeemed by the issuer before its maturity date?

- A) Callable bond
- B) Puttable bond
- C) Convertible bond
- D) Zero-coupon bond

Answer: A) Callable bond

100. Which of the following is a characteristic of puttable bonds?

- A) They can be converted into equity shares
- B) They can be redeemed by the issuer before maturity
- C) They can be sold back to the issuer at a predetermined price
- D) They pay a fixed rate of interest

Answer: C) They can be sold back to the issuer at a predetermined price



**Unit -3**



## 1. Secondary Marketing

The secondary market, also known as the stock market, is where previously issued securities such as stocks, bonds, and derivatives are bought and sold among investors. Unlike the primary market, where securities are issued and sold for the first time, the secondary market involves the trading of existing securities between investors. Here are some key aspects of the secondary market:

- **Trading Venue:** The secondary market operates through organized exchanges such as the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) in India, as well as over-the-counter (OTC) markets.
- **Participants:** Participants in the secondary market include individual investors, institutional investors, traders, brokers, market makers, and regulatory authorities.
- **Liquidity:** One of the primary functions of the secondary market is to provide liquidity to investors. Investors can buy and sell securities quickly and easily, as there is a ready market for trading.
- **Price Determination:** The secondary market helps determine the prices of securities based on supply and demand dynamics. Prices fluctuate based on market conditions, company performance, economic factors, and investor sentiment.
- **Regulation:** The secondary market is regulated by securities regulatory authorities such as the Securities and Exchange Board of India (SEBI) in India. These regulators ensure fair trading practices, transparency, and investor protection.
- **Types of Securities:** The secondary market trades various types of securities, including equity shares, preference shares, debentures, bonds, and mutual fund units.
- **Market Indices:** Market indices such as the Nifty 50 and Sensex in India track the performance of the secondary market by reflecting the prices of a basket of selected securities.
- **Trading Mechanisms:** Trading in the secondary market can be done through various mechanisms, including market orders, limit orders, stop-loss orders, and derivatives trading.
- **Role in Capital Markets:** The secondary market plays a crucial role in the capital markets by providing liquidity, price discovery, and a platform for investors to buy and sell securities. It also helps companies raise capital by providing an exit route for existing investors.
- **Investor Protection:** Regulators implement measures to protect investors in the secondary market, such as mandatory disclosure requirements, surveillance mechanisms to detect market manipulation, and investor education programs.

## 2. Function and Role of Stock Exchange

Stock exchanges play a crucial role in the financial market by providing a platform for buying and selling securities. Their functions and roles can be summarized as follows:

- **Facilitating Trading:** Stock exchanges facilitate the trading of securities, including stocks, bonds, and derivatives, between buyers and sellers. They provide a centralized marketplace where investors can execute trades efficiently.
- **Price Discovery:** Stock exchanges help in determining the prices of securities based on supply and demand. The prices quoted on stock exchanges reflect the collective wisdom of market participants.
- **Providing Liquidity:** Stock exchanges provide liquidity to securities by offering a platform for investors to buy and sell them. This liquidity enables investors to enter and exit positions easily.
- **Capital Formation:** Stock exchanges play a crucial role in capital formation by providing companies with a platform to raise capital through the issuance of securities. This capital is used by companies for various purposes, such as expansion and growth.

- **Market Regulation:** Stock exchanges enforce rules and regulations to ensure fair and transparent trading practices. They also monitor trading activities to detect and prevent market manipulation and insider trading.
- **Market Surveillance:** Stock exchanges conduct market surveillance to monitor trading activities and detect any irregularities or violations of trading rules. This helps in maintaining the integrity of the market.
- **Listing of Securities:** Stock exchanges list securities of companies that meet their listing requirements. Listing provides companies with access to a wider investor base and enhances their visibility and credibility.
- **Investor Protection:** Stock exchanges implement measures to protect investors, such as requiring companies to disclose relevant information to investors and enforcing rules to prevent fraud and misconduct.
- **Promoting Investment Culture:** Stock exchanges play a role in promoting an investment culture by providing individuals with an opportunity to invest in the stock market and participate in the economy's growth.
- **Providing Benchmark Indices:** Stock exchanges provide benchmark indices, such as the S&P 500 or the Nifty 50, which serve as indicators of the overall market performance. These indices are used by investors and fund managers to track the market's performance.

### 3. Listing procedure and legal requirements

Listing on a stock exchange allows a company's shares to be traded publicly. The process involves several steps and compliance with legal requirements. Here's an overview of the listing procedure and legal requirements in stock exchanges:

- **Eligibility Criteria:** The company must meet the exchange's eligibility criteria, which typically include profitability, minimum net worth, track record, and corporate governance standards.
- **Appointment of Advisors:** The company appoints advisors such as merchant bankers, legal advisors, and auditors to assist with the listing process.
- **Due Diligence:** The advisors conduct due diligence to ensure that the company meets all regulatory requirements and disclosures.
- **Drafting of Offer Document:** The company prepares an offer document, which includes details about the company, its business operations, financials, and the offer itself.
- **Filing with SEBI:** The offer document is filed with the Securities and Exchange Board of India (SEBI) for approval. SEBI reviews the document to ensure compliance with regulations.
- **Appointment of Registrars:** The company appoints registrars to manage the issue and handle share registry services.
- **Marketing and Roadshows:** The company and its advisors market the offer to potential investors through roadshows and other promotional activities.
- **Price Discovery:** The price of the shares is determined through a book-building process or fixed-price method, depending on the offer structure.
- **Listing Application:** Once SEBI approves the offer document, the company applies for listing with the stock exchange(s) where it intends to list its shares.
- **Allotment and Refunds:** Shares are allotted to investors based on the subscription received. Refunds are issued to unsuccessful applicants.

- **Listing and Trading:** Upon allotment, the shares are listed on the stock exchange(s), and trading begins. The company's shares are now publicly traded.
- **Compliance:** After listing, the company must comply with ongoing regulatory requirements, such as filing financial reports and disclosures.
- **Legal Requirements:**
- **Company Act Compliance:** The company must comply with the provisions of the Companies Act, including maintaining proper corporate governance practices.
- **SEBI Regulations:** The offer document must comply with SEBI regulations, including disclosure requirements and pricing guidelines.
- **Listing Agreement:** The company must enter into a listing agreement with the stock exchange(s) where its shares are listed, specifying the rights and obligations of the company and the exchange.
- **Continuous Disclosure:** The company must make timely disclosures of material information to the stock exchange(s) and the public.
- **Corporate Governance:** The company must adhere to corporate governance standards, including board composition, audit committee requirements, and disclosure practices.
- **Compliance Officer:** The company must appoint a compliance officer responsible for ensuring compliance with regulatory requirements.
- **Annual Compliance:** The company must comply with annual filing requirements, including filing of financial statements, annual reports, and other disclosures.

#### 4. Public Stock Exchanges-NSE, BSE and OTCEI

Public stock exchanges are platforms where securities such as stocks, bonds, and derivatives are bought and sold by investors. In India, three major stock exchanges operate at a national level: the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE), and the Over-the-Counter Exchange of India (OTCEI). Here's an overview of each:

##### 4.1 National Stock Exchange (NSE):

**Establishment:** The NSE was established in 1992 and is headquartered in Mumbai.

**Ownership:** It is owned by a group of leading financial institutions, banks, insurance companies, and other financial intermediaries.

**Trading Platform:** The NSE operates on an electronic trading platform, providing fast and efficient trading facilities to investors.

**Indices:** The NSE is home to the Nifty 50 index, which is widely used as a benchmark for the Indian equity market.

**Products Traded:** The NSE trades in equity shares, futures and options, currency derivatives, and debt instruments.

**Regulation:** The NSE is regulated by the Securities and Exchange Board of India (SEBI).

##### 4.2 Bombay Stock Exchange (BSE):

- **Establishment:** The BSE is one of the oldest stock exchanges in Asia, established in 1875. It is located in Mumbai.
- **Ownership:** It is a public limited company, with trading rights being held by members of the exchange.
- **Trading Platform:** The BSE also operates on an electronic trading platform, known as the BOLT

(BSE Online Trading) system.

- **Indices:** The BSE Sensex is the benchmark index of the BSE, comprising 30 of the largest and most actively traded stocks on the exchange.
- **Products Traded:** The BSE trades in equity shares, derivatives, debt instruments, and mutual fund units.
- **Regulation:** Like the NSE, the BSE is regulated by SEBI.

#### 4.3 Over-the-Counter Exchange of India (OTCEI):

- **Establishment:** The OTCEI was established in 1990 as India's first electronic exchange for small and medium-sized companies.
- **Ownership:** It is a public limited company, with trading rights being held by members of the exchange.
- **Trading Platform:** The OTCEI operates on an electronic trading platform, providing a transparent and efficient marketplace for trading in unlisted securities.
- **Indices:** The OTCEI does not have a specific index associated with it, as its focus is on providing a platform for trading in unlisted securities.
- **Products Traded:** The OTCEI primarily trades in equity shares of small and medium-sized companies, along with debt instruments.
- **Regulation:** The OTCEI is regulated by SEBI, ensuring compliance with regulatory requirements and investor protection.

These exchanges play a crucial role in the Indian financial market by providing a platform for companies to raise capital and for investors to trade securities, thereby contributing to the growth and development of the economy.

#### 4.4 Functionaries on Stock Exchanges: Brokers, Sub brokers, market makers, jobbers, portfolio consultants, institutional investors.

- **Brokers:** Brokers are intermediaries who execute buy and sell orders on behalf of investors. They are registered members of the stock exchange and are authorized to trade securities. Brokers provide services such as research, investment advice, and order execution to investors. They earn a commission or fee for their services.
- **Sub-brokers:** Sub-brokers are agents of brokers who assist in executing trades on the stock exchange. They work under the supervision of brokers and help in expanding the reach of brokerage firms. Sub-brokers may also provide investment advice and other services to clients.
- **Market Makers:** Market makers are entities that provide liquidity in the market by quoting both buy and sell prices for securities. They play a crucial role in ensuring smooth and continuous trading in the market. Market makers earn a profit from the spread between the buying and selling prices they quote.
- **Jobbers:** Jobbers are market makers who specialize in trading in a specific set of securities. They buy and sell securities on their own account to provide liquidity to the market. Jobbers play a role in narrowing the bid-ask spread and improving market efficiency.
- **Portfolio Consultants:** Portfolio consultants provide advice to investors on managing their investment portfolios. They help investors in asset allocation, stock selection, and risk management. Portfolio consultants may also provide research and analysis to support their recommendations.



- **Institutional Investors:** Institutional investors are entities that invest large sums of money in the stock market on behalf of their clients. They include mutual funds, insurance companies, pension funds, and hedge funds. Institutional investors play a significant role in the stock market due to their large trading volumes and influence on stock prices.

Overall, functionaries on stock exchanges play a crucial role in ensuring the smooth functioning of the market, providing liquidity, and facilitating trading activities. Their roles and responsibilities contribute to the efficiency and transparency of the stock market.

### MCQs

1. What is the secondary market?

- A) A market for buying and selling new securities
- B) A market for buying and selling existing securities
- C) A market for issuing new securities
- D) A market for short-term financing

Answer: B) A market for buying and selling existing securities

2. Which of the following securities is traded in the secondary market?

- A) Newly issued shares
- B) Government bonds
- C) Corporate bonds
- D) All of the above

Answer: D) All of the above

3. What is the primary purpose of the secondary market?

- A) To raise capital for companies
- B) To provide liquidity to investors
- C) To issue new securities to the public
- D) None of the above

Answer: B) To provide liquidity to investors

4. How are prices determined in the secondary market?

- A) By the issuing company
- B) By market forces of supply and demand
- C) By government regulations
- D) None of the above

Answer: B) By market forces of supply and demand

5. What is the role of brokers in the secondary market?

- A) To issue new securities
- B) To facilitate buying and selling of securities
- C) To regulate the market
- D) None of the above

Answer: B) To facilitate buying and selling of securities

5. Which of the following is a characteristic of the secondary market?

- A) Focuses on issuing new securities
- B) Offers low-risk investment options
- C) Provides liquidity for existing securities
- D) None of the above

Answer: C) Provides liquidity for existing securities

6. What is the significance of the secondary market?

- A) It allows investors to exit their investments
- B) It helps companies raise capital
- C) It provides short-term financing
- D) None of the above

Answer: A) It allows investors to exit their investments

7. How does trading volume in the secondary market affect prices?

- A) Higher trading volume leads to lower prices
- B) Higher trading volume leads to higher prices
- C) Trading volume has no impact on prices
- D) None of the above

Answer: B) Higher trading volume leads to higher prices

8. What is the role of market makers in the secondary market?

- A) To issue new securities
- B) To provide liquidity by buying and selling securities
- C) To regulate the market
- D) None of the above

Answer: B) To provide liquidity by buying and selling securities

9. Which of the following is a function of the secondary market?

- A) Issuing new securities
- B) Providing liquidity for existing securities
- C) Facilitating international trade
- D) None of the above

Answer: B) Providing liquidity for existing securities

10. What is the primary function of a stock exchange?

- A) To issue new securities
- B) To provide liquidity for existing securities
- C) To regulate the market
- D) None of the above

Answer: B) To provide liquidity for existing securities

11. How do stock exchanges provide liquidity?



- A) By issuing new securities
- B) By facilitating buying and selling of securities
- C) By setting prices for securities
- D) None of the above

Answer: B) By facilitating buying and selling of securities

12. What is the role of brokers in a stock exchange?

- A) To issue new securities
- B) To regulate the market
- C) To facilitate buying and selling of securities
- D) None of the above

Answer: C) To facilitate buying and selling of securities

13. How do stock exchanges help companies raise capital?

- A) By issuing new securities
- B) By providing loans to companies
- C) By facilitating the sale of securities to investors
- D) None of the above

Answer: C) By facilitating the sale of securities to investors

14. Which of the following is a function of a stock exchange?

- A) Regulating the market
- B) Providing short-term financing to companies
- C) Setting prices for securities
- D) None of the above

Answer: A) Regulating the market

15. How does a stock exchange regulate the market?

- A) By setting prices for securities
- B) By enforcing rules and regulations
- C) By issuing new securities
- D) None of the above

Answer: B) By enforcing rules and regulations

16. What is the significance of a stock exchange in the economy?

- A) It provides a platform for companies to raise capital
- B) It helps investors diversify their portfolios
- C) It contributes to economic growth and development
- D) All of the above

Answer: D) All of the above

17. How do stock exchanges impact investor behavior?

- A) By guaranteeing returns on investments
- B) By providing information and transparency

- C) By limiting the types of securities available
- D) None of the above

Answer: B) By providing information and transparency

18. Which of the following is a role of stock exchanges in corporate governance?

- A) Setting executive salaries
- B) Ensuring companies comply with regulations
- C) Issuing new securities
- D) None of the above

Answer: B) Ensuring companies comply with regulations

19. How do stock exchanges contribute to economic development?

- A) By providing a platform for investment
- B) By promoting entrepreneurship
- C) By facilitating capital formation
- D) All of the above

Answer: D) All of the above

20. What is the listing procedure in a stock exchange?

- A) The process of registering a company's securities for trading on the exchange
- B) The process of buying and selling securities on the exchange
- C) The process of issuing new securities to the public
- D) None of the above

Answer: A) The process of registering a company's securities for trading on the exchange

21. Which of the following securities can be listed on a stock exchange?

- A) Only equity shares
- B) Only debt securities
- C) Both equity and debt securities
- D) None of the above

Answer: C) Both equity and debt securities

22. What is the role of the stock exchange in the listing procedure?

- A) To issue new securities
- B) To facilitate the listing process
- C) To regulate the market
- D) None of the above

Answer: B) To facilitate the listing process

23. What is the purpose of listing securities on a stock exchange?

- A) To raise capital for companies
- B) To provide liquidity to investors
- C) To regulate the market
- D) All of the above

Answer: B) To provide liquidity to investors

24. How does a company apply for listing on a stock exchange?

- A) By submitting an application to the exchange
- B) By issuing new securities
- C) By purchasing securities from the exchange
- D) None of the above

Answer: A) By submitting an application to the exchange

25. What are the requirements for listing on a stock exchange?

- A) Meeting minimum capital requirements
- B) Having a track record of profitability
- C) Having a minimum number of shareholders
- D) All of the above

Answer: D) All of the above

26. Who approves the listing of securities on a stock exchange?

- A) Stock exchange authorities
- B) Regulatory authorities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

27. What is the significance of listing requirements?

- A) To ensure transparency and investor protection
- B) To restrict the number of companies listed on the exchange
- C) To limit the types of securities available for trading
- D) None of the above

Answer: A) To ensure transparency and investor protection

28. How does listing benefit a company?

- A) By providing access to a larger pool of investors
- B) By increasing the liquidity of its securities
- C) By enhancing its credibility and visibility
- D) All of the above

Answer: D) All of the above

29. What is the role of the Securities and Exchange Board of India (SEBI) in the listing procedure?

- A) To set listing requirements
- B) To approve the listing of securities
- C) To regulate the stock exchange
- D) All of the above

Answer: D) All of the above

30. What is the Securities and Exchange Board of India (SEBI) responsible for in relation to the listing of

securities?

- A) Setting listing requirements
- B) Approving the listing of securities
- C) Regulating the stock exchange
- D) All of the above

Answer: A) Setting listing requirements

32. Which of the following is a legal requirement for listing on a stock exchange?

- A) Having a minimum net worth
- B) Having a minimum track record of profitability
- C) Having a minimum number of shareholders
- D) All of the above

Answer: D) All of the above

33. Who approves the listing of securities on a stock exchange?

- A) Stock exchange authorities
- B) Regulatory authorities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

34. What is the role of the Registrar of Companies (ROC) in the listing process?

- A) Approving the company's memorandum and articles of association
- B) Verifying compliance with the Companies Act
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

35. Which of the following documents is required for listing on a stock exchange?

- A) Memorandum of Association (MOA)
- B) Articles of Association (AOA)
- C) Prospectus
- D) All of the above

Answer: D) All of the above

36. What is the purpose of the prospectus in the listing process?

- A) To provide information about the company to potential investors
- B) To obtain approval from regulatory authorities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

37. How does compliance with the Companies Act relate to listing requirements?

- A) It ensures that the company is legally allowed to issue securities

- B) It ensures that the company has a minimum net worth
- C) It ensures that the company has a minimum number of shareholders
- D) None of the above

Answer: A) It ensures that the company is legally allowed to issue securities

38. Which of the following is a legal requirement for issuing securities to the public?

- A) Obtaining approval from SEBI
- B) Publishing a prospectus
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

39. What is the role of the stock exchange authorities in the listing process?

- A) Approving the listing of securities
- B) Ensuring compliance with listing requirements
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

40. How do legal requirements for listing protect investors?

- A) By ensuring that the company has a minimum track record of profitability
- B) By ensuring that the company provides accurate and complete information
- C) By limiting the types of securities available for trading
- D) None of the above

Answer: B) By ensuring that the company provides accurate and complete information

41. Which of the following is the oldest stock exchange in Asia?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: A) BSE

42. Where is the headquarters of BSE located?

- A) Mumbai
- B) New Delhi
- C) Kolkata
- D) Chennai

Answer: A) Mumbai

43. Which of the following is known as the benchmark index of BSE?

- A) Sensex
- B) Nifty
- C) BSE 100

D) None of the above

Answer: A) Sensex

44. Which of the following is the electronic exchange platform in India?

A) BSE

B) NSE

C) OTCEI

D) None of the above

Answer: B) NSE

45. Where is the headquarters of NSE located?

A) Mumbai

B) New Delhi

C) Kolkata

D) Chennai

Answer: A) Mumbai

46. Which of the following is known as the benchmark index of NSE?

A) Sensex

B) Nifty

C) NSE 100

D) None of the above

Answer: B) Nifty

47. Which of the following stock exchanges was established to promote small and medium enterprises?

A) BSE

B) NSE

C) OTCEI

D) None of the above

Answer: C) OTCEI

48. Where is the headquarters of OTCEI located?

A) Mumbai

B) New Delhi

C) Kolkata

D) Chennai

Answer: B) New Delhi

49. Which of the following stock exchanges is known for its nationwide trading network?

A) BSE

B) NSE

C) OTCEI

D) None of the above

Answer: B) NSE



50. Which of the following stock exchanges has a regional focus?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: A) BSE

51. Which of the following stock exchanges has an electronic trading platform?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: B) NSE

52. Which of the following stock exchanges is known for its trading floor?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: A) BSE

53. Which of the following stock exchanges has the largest number of listed companies?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: A) BSE

54. Which of the following stock exchanges has the highest market capitalization?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: B) NSE

55. Which of the following stock exchanges is regulated by SEBI?

- A) BSE
- B) NSE
- C) OTCEI
- D) All of the above

Answer: D) All of the above

56. Which of the following stock exchanges was the first to introduce screen-based trading in India?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: B) NSE

57. Which of the following stock exchanges has a separate platform for trading debt securities?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: A) BSE

58. Which of the following stock exchanges has a trading index known as "BSE Smallcap"?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: A) BSE

59. Which of the following stock exchanges is known for its transparent and efficient trading system?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: B) NSE

60. Which of the following stock exchanges has a trading index known as "NSE IT"?

- A) BSE
- B) NSE
- C) OTCEI
- D) None of the above

Answer: B) NSE

61. Who is responsible for executing buy and sell orders on behalf of investors in the stock market?

- A) Brokers
- B) Sub-brokers
- C) Market makers
- D) None of the above

Answer: A) Brokers

62. Which of the following is an intermediary between the stock exchange and investors, but cannot directly trade on the exchange?

- A) Brokers

- B) Sub-brokers
- C) Market makers
- D) None of the above

Answer: B) Sub-brokers

63. Who provides liquidity to the market by buying and selling securities on a regular basis?

- A) Brokers
- B) Sub-brokers
- C) Market makers
- D) None of the above

Answer: C) Market makers

64. Which of the following is not a role of a broker in the stock market?

- A) Advising clients on investment decisions
- B) Executing buy and sell orders on behalf of clients
- C) Providing liquidity to the market
- D) None of the above

Answer: C) Providing liquidity to the market

65. Who is responsible for maintaining orderly trading in a particular stock or group of stocks?

- A) Brokers
- B) Sub-brokers
- C) Market makers
- D) None of the above

Answer: C) Market makers

66. Which of the following is a licensed member of the stock exchange and can trade on behalf of clients as well as for their own account?

- A) Brokers
- B) Sub-brokers
- C) Market makers
- D) None of the above

Answer: A) Brokers

67. Who typically charges a commission for their services in executing trades on behalf of clients?

- A) Brokers
- B) Sub-brokers
- C) Market makers
- D) None of the above

Answer: A) Brokers

68. Who is responsible for providing market depth by displaying bid and ask prices for specific securities?

- A) Brokers
- B) Sub-brokers
- C) Market makers

D) None of the above

Answer: C) Market makers

69. Which of the following is not a function of a sub-broker in the stock market?

A) Executing buy and sell orders on behalf of clients

B) Providing investment advice to clients

C) Directly trading on the stock exchange

D) None of the above

Answer: C) Directly trading on the stock exchange

70. Who is responsible for maintaining a fair and orderly market by buying and selling securities as needed?

A) Brokers

B) Sub-brokers

C) Market makers

D) None of the above

Answer: C) Market makers

71. Who are intermediaries that facilitate trading by providing liquidity and market-making services?

A) Jobbers

B) Portfolio consultants

C) Institutional investors

D) None of the above

Answer: A) Jobbers

72. Which of the following is responsible for managing investment portfolios on behalf of clients, providing advice on asset allocation and investment strategies?

A) Jobbers

B) Portfolio consultants

C) Institutional investors

D) None of the above

Answer: B) Portfolio consultants

73. Who are large entities such as mutual funds, insurance companies, and pension funds that invest substantial sums of money in the financial markets?

A) Jobbers

B) Portfolio consultants

C) Institutional investors

D) None of the above

Answer: C) Institutional investors

74. Which of the following functionaries on stock exchanges is primarily involved in providing liquidity to the market by continuously buying and selling securities?

A) Jobbers

B) Portfolio consultants

- C) Institutional investors
- D) None of the above

Answer: A) Jobbers

75. Who typically provides investment advice to individual and institutional clients, helping them make informed decisions about their investment portfolios?

- A) Jobbers
- B) Portfolio consultants
- C) Institutional investors
- D) None of the above

Answer: B) Portfolio consultants

76. Which of the following functionaries on stock exchanges is known for their significant influence on market movements due to the large volumes of securities they trade?

- A) Jobbers
- B) Portfolio consultants
- C) Institutional investors
- D) None of the above

Answer: C) Institutional investors

77. Who typically trades on behalf of clients, executing buy and sell orders to achieve the client's investment objectives?

- A) Jobbers
- B) Portfolio consultants
- C) Institutional investors
- D) None of the above

Answer: C) Institutional investors

78. Which of the following functionaries on stock exchanges is known for their role in maintaining market liquidity and narrowing bid-ask spreads?

- A) Jobbers
- B) Portfolio consultants
- C) Institutional investors
- D) None of the above

Answer: A) Jobbers

79. Who typically manages large pools of capital and invests across a diverse range of securities and asset classes?

- A) Jobbers
- B) Portfolio consultants
- C) Institutional investors
- D) None of the above

Answer: C) Institutional investors

80. What is fundamental analysis?

- A) Analysis of historical stock prices
- B) Analysis of financial statements and economic indicators
- C) Analysis of stock market trends
- D) Analysis of trading volumes

Answer: B) Analysis of financial statements and economic indicators

81. Which of the following is NOT a focus of fundamental analysis?

- A) Company's financial health
- B) Industry trends
- C) Historical stock prices
- D) Macroeconomic factors

Answer: C) Historical stock prices

82. Which of the following financial statements is NOT typically analyzed in fundamental analysis?

- A) Income statement
- B) Balance sheet
- C) Cash flow statement
- D) Trading volume

Answer: D) Trading volume

83. Which of the following is an example of a macroeconomic factor that can impact fundamental analysis?

- A) Company's revenue growth
- B) Industry regulations
- C) Price-earnings ratio
- D) Moving averages

Answer: B) Industry regulations

84. What is technical analysis?

- A) Analysis of financial statements and economic indicators
- B) Analysis of historical stock prices
- C) Analysis of stock market trends
- D) Analysis of trading volumes

Answer: C) Analysis of stock market trends

85. Which of the following is NOT a focus of technical analysis?

- A) Price patterns
- B) Trading volumes
- C) Moving averages
- D) Company's financial health

Answer: D) Company's financial health

86. Which of the following is a tool used in technical analysis to identify potential price trends?

- A) Financial statements
- B) Moving averages



- C) Price-earnings ratio
- D) Cash flow statement

Answer: B) Moving averages

87. Which of the following is a type of chart commonly used in technical analysis?

- A) Income statement
- B) Bar chart
- C) Balance sheet
- D) Cash flow statement

Answer: B) Bar chart

88. Which of the following is a technical analysis indicator that measures the momentum of a stock's price movement?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Earnings per share (EPS)

Answer: A) Relative strength index (RSI)

89. Which of the following is a technical analysis indicator that measures the average price of a security over a specific period of time?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Earnings per share (EPS)

Answer: C) Moving averages

90. Which of the following is a technical analysis indicator that compares the current price of a stock to its past prices?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Earnings per share (EPS)

Answer: A) Relative strength index (RSI)

91. Which of the following is a technical analysis indicator that measures the relationship between a stock's price and its earnings per share?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Earnings per share (EPS)

Answer: B) Price-earnings ratio

92. Which of the following is a technical analysis indicator that measures the volume of trades in a stock?

- A) Relative strength index (RSI)

- B) Price-earnings ratio
- C) Moving averages
- D) Volume

Answer: D) Volume

93. Which of the following is a technical analysis indicator that measures the strength of a stock's price trend?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Earnings per share (EPS)

Answer: A) Relative strength index (RSI)

94. Which of the following is a technical analysis indicator that measures the price level at which most trading occurs?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Volume-weighted average price (VWAP)

Answer: D) Volume-weighted average price (VWAP)

95. Which of the following is a technical analysis indicator that measures the rate of change in a stock's price?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Rate of change (ROC)

Answer: D) Rate of change (ROC)

96. Which of the following is a technical analysis indicator that measures the volatility of a stock's price?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Bollinger Bands

Answer: D) Bollinger Bands

97. Which of the following is a technical analysis indicator that measures the support and resistance levels of a stock's price?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Fibonacci retracement

Answer: D) Fibonacci retracement

98. Which of the following is a technical analysis indicator that measures the momentum of a stock's price

movement?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Stochastic oscillator

Answer: D) Stochastic oscillator

99. Which of the following is a technical analysis indicator that measures the speed and direction of a stock's price movement?

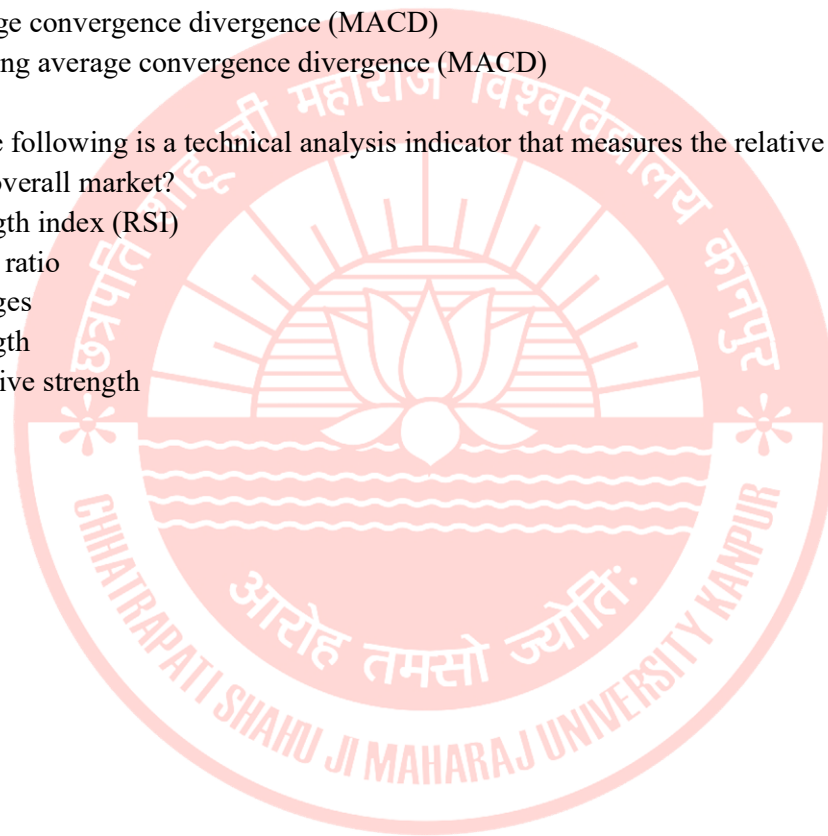
- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Moving average convergence divergence (MACD)

Answer: D) Moving average convergence divergence (MACD)

100. Which of the following is a technical analysis indicator that measures the relative strength of a stock compared to the overall market?

- A) Relative strength index (RSI)
- B) Price-earnings ratio
- C) Moving averages
- D) Relative strength

Answer: D) Relative strength



## Unit 4



## 1. Investor Protection:

Investor protection is a key aspect of securities market regulation aimed at safeguarding the interests of investors and ensuring fair and transparent markets. Here are some key elements of investor protection:

- **Disclosure Requirements:** Issuers are required to provide full and fair disclosure of information regarding their securities. This includes financial statements, risk factors, and other material information that may impact an investor's decision to invest.
- **Transparency:** Markets should be transparent, with clear and easily accessible information on prices, trading volumes, and other relevant data. This helps investors make informed decisions.
- **Regulatory Oversight:** Regulatory authorities such as the Securities and Exchange Board of India (SEBI) oversee the securities markets to ensure compliance with rules and regulations. They also investigate and take action against violations of securities laws.
- **Market Integrity:** Measures are in place to prevent fraud, insider trading, and market manipulation. This includes surveillance systems to detect suspicious trading activities and enforcement actions against violators.
- **Investor Education:** Investors should be educated about the risks and rewards of investing, as well as their rights and responsibilities. This helps them make informed decisions and avoid scams and fraudulent schemes.
- **Dispute Resolution:** Mechanisms such as arbitration and ombudsman services are available to resolve disputes between investors, brokers, and other market participants.
- **Code of Conduct:** Market participants, including brokers, investment advisors, and fund managers, are expected to adhere to a code of conduct that promotes fair and ethical behavior.
- **Compensation Schemes:** Some jurisdictions have investor compensation schemes to provide compensation to investors in case of financial loss due to the failure of a financial institution.
- Overall, investor protection measures aim to promote confidence in the securities markets, encourage investment, and ensure that markets operate fairly and efficiently.

## 2. Investor Protection:

Investor protection includes mechanisms to address grievances concerning stock exchange dealings. Investors may have complaints related to unauthorized trading, misappropriation of funds, non-receipt of shares or dividends, incorrect trading information, and failure to execute trades. Here's how grievances are typically addressed:

- **Internal Grievance Redressal Mechanism:** Stock exchanges have internal mechanisms to address investor grievances. Investors can file complaints with the exchange through their brokers or directly.
- **Investor Grievance Cell:** Stock exchanges often have a dedicated investor grievance cell to handle complaints. The cell investigates complaints and takes appropriate action to resolve them.
- **Arbitration:** If a resolution is not reached through internal mechanisms, investors can opt for arbitration. Stock exchanges typically have arbitration panels that hear and resolve disputes between investors and brokers.
- **Legal Recourse:** If the grievance is not resolved through arbitration, investors can seek legal recourse through the courts. They can file a civil suit or approach regulatory authorities for further action.
- **Regulatory Intervention:** Regulatory authorities such as the Securities and Exchange Board of India (SEBI) can intervene in cases of investor grievances. SEBI can investigate complaints and take disciplinary action against erring parties.

- **Investor Education:** To prevent grievances, investor education programs are conducted to educate investors about their rights and responsibilities. This helps investors make informed decisions and avoid potential pitfalls.
- **Compliance Monitoring:** Stock exchanges and regulatory authorities monitor compliance with rules and regulations to ensure that investors are protected. This includes surveillance of trading activities and enforcement actions against violators.
- **Prompt Redressal:** Timely redressal of grievances is crucial to maintaining investor confidence in the stock market. Stock exchanges and regulatory authorities strive to resolve complaints promptly and fairly.

Overall, investor protection mechanisms aim to ensure that investors are treated fairly and have recourse in case of grievances. These mechanisms help maintain trust in the stock market and promote investor participation.

### 3. Demat Trading

Demat trading, also known as dematerialized trading, refers to the trading of securities in electronic form without the need for physical certificates. Demat trading has replaced the traditional method of trading, where physical share certificates were used, and offers several advantages. Here's how demat trading works and its key features:

**Demat Account:** To participate in demat trading, investors need to open a demat account with a depository participant (DP). A demat account is similar to a bank account, but instead of holding cash, it holds securities such as shares, bonds, and mutual fund units in electronic form.

**Trading Process:** When an investor wants to buy or sell securities, they place an order through their broker, specifying the quantity and price at which they wish to trade. The broker then executes the trade on the stock exchange.

**Settlement:** In demat trading, settlement of trades is done electronically through the depository system. Once a trade is executed, the securities are transferred from the seller's demat account to the buyer's demat account.

#### 3.1 Advantages of Demat Trading:

Elimination of paperwork: Demat trading eliminates the need for physical share certificates, reducing paperwork and the risk of loss or damage to certificates.

- **Faster settlement:** Demat trading enables faster settlement of trades compared to the traditional method, where settlement could take several days.
- **Lower costs:** Demat trading reduces the costs associated with handling physical certificates, such as stamp duty and storage costs.
- **Increased liquidity:** Demat trading enhances liquidity as securities can be bought and sold quickly and easily.
- **Secure transactions:** Demat trading provides a secure platform for trading, reducing the risk of fraud and theft associated with physical certificates.

Overall, demat trading has revolutionized the way securities are traded in India, making the process more efficient, convenient, and secure for investors.

### 4. SEBI Guidelines - Primary Market, Secondary Market

SEBI (Securities and Exchange Board of India) has issued various guidelines and regulations for both the primary market and the secondary market to ensure fair, transparent, and efficient functioning of the securities market. Here's an overview of SEBI guidelines for both markets:



#### 4.1 Primary Market:

- **Disclosure Requirements:** SEBI has mandated detailed disclosure requirements for companies issuing securities in the primary market. This includes information about the company's financials, business operations, management, and risk factors.
- **Pricing Guidelines:** SEBI has prescribed guidelines for pricing of securities issued in the primary market, such as IPOs (Initial Public Offerings) and FPOs (Follow-on Public Offerings), to ensure fair pricing and investor protection.
- **Minimum Public Shareholding:** SEBI has set minimum public shareholding requirements for listed companies to ensure a wider distribution of shares and enhance market liquidity.
- **Promoter Contribution:** SEBI has prescribed guidelines for promoter contribution in IPOs to ensure that promoters have a significant stake in the company and align their interests with those of the shareholders.
- **Use of Proceeds:** SEBI has laid down guidelines for the use of proceeds raised through public issues, ensuring that the funds are used for the stated purposes and not diverted for other uses.
- **Secondary Market:**
- **Trading Rules:** SEBI has prescribed trading rules for the secondary market, including rules for order matching, trading hours, and circuit breakers to ensure orderly trading and prevent market manipulation.
- **Surveillance and Monitoring:** SEBI has set up surveillance mechanisms to monitor trading activities in the secondary market and detect any irregularities or market abuses.
- **Investor Protection:** SEBI has issued guidelines for investor protection in the secondary market, including rules for prevention of fraud, unauthorized trading, and fair treatment of investors.
- **Market Infrastructure:** SEBI has prescribed guidelines for the infrastructure of the secondary market, including rules for stock exchanges, clearing corporations, and depositories to ensure smooth functioning of the market.

Overall, SEBI guidelines for the primary and secondary markets aim to promote investor confidence, protect investor interests, and ensure the integrity and efficiency of the securities market.

The protection of investor's interests is a crucial aspect of securities market regulation. The National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT) play a significant role in this regard. Here's how they protect investor's interests:

#### 5. NCLT (National Company Law Tribunal):

- **Corporate Insolvency Resolution:** NCLT handles cases related to corporate insolvency resolution under the Insolvency and Bankruptcy Code, 2016. This ensures that the interests of creditors and investors are protected in case of a corporate default.
- **Merger and Amalgamation:** NCLT approves mergers and amalgamations of companies, ensuring that the interests of shareholders and creditors are safeguarded.
- **Class Action Suits:** NCLT hears class action suits filed by shareholders or depositors against companies for any fraudulent activities or oppression of minority shareholders, thus protecting their interests.
- **Winding Up:** NCLT oversees the winding up of companies, ensuring that the interests of creditors and shareholders are protected during the process.

**6. NCLAT (National Company Law Appellate Tribunal):**

- **Appeals:** NCLAT hears appeals against the orders of NCLT, providing an avenue for aggrieved parties to seek redressal.
- **Quick Resolution:** NCLAT aims to provide quick resolution to disputes, including those related to investor's interests, thus ensuring timely justice.
- **Consistency:** NCLAT ensures consistency and uniformity in the interpretation of laws related to corporate matters, which is important for protecting investor's interests.

Overall, NCLT and NCLAT play a crucial role in protecting investor's interests by providing a legal framework for resolving disputes, ensuring timely resolution, and upholding the rights of investors and creditors in corporate matters.

**MCQs**

1. What is the primary objective of investor protection measures?

- A) To guarantee returns on investment
- B) To ensure that investors do not incur losses
- C) To safeguard the interests of investors in the securities market
- D) None of the above

Answer: C) To safeguard the interests of investors in the securities market

2. Who regulates the securities market in India to protect the interests of investors?

- A) RBI
- B) SEBI
- C) IRDAI
- D) None of the above

Answer: B) SEBI

3. Which of the following is a measure taken by SEBI to protect investors?

- A) Regulating stock exchanges
- B) Monitoring insider trading
- C) Ensuring corporate governance
- D) All of the above

Answer: D) All of the above

4. What is the purpose of SEBI's Investor Protection Fund?

- A) To compensate investors for losses due to fraudulent activities
- B) To provide insurance to investors
- C) To guarantee returns on investment
- D) None of the above

Answer: A) To compensate investors for losses due to fraudulent activities

5. Which of the following is a measure to protect investors from market manipulation?

- A) SEBI issuing guidelines on corporate governance
- B) SEBI regulating the listing process
- C) SEBI monitoring trading activities

D) None of the above

Answer: C) SEBI monitoring trading activities

6. What role does SEBI play in regulating financial intermediaries?

A) Monitoring their compliance with regulations

B) Licensing them to operate in the securities market

C) Both A and B

D) None of the above

Answer: C) Both A and B

7. Which of the following is a measure to protect investors' interests in the primary market?

A) SEBI regulating stock exchanges

B) SEBI issuing guidelines for IPOs

C) SEBI monitoring trading activities

D) None of the above

Answer: B) SEBI issuing guidelines for IPOs

8. How does SEBI protect investors from fraudulent activities in the securities market?

A) By regulating the conduct of market participants

B) By monitoring trading activities

C) By enforcing compliance with regulations

D) All of the above

Answer: D) All of the above

9. Which of the following is a measure to protect investors' interests in the secondary market?

A) SEBI issuing guidelines for trading

B) SEBI regulating stock exchanges

C) SEBI monitoring trading activities

D) All of the above

Answer: D) All of the above

10. How does SEBI protect investors' interests in mutual funds?

A) By regulating the operations of mutual funds

B) By monitoring the performance of mutual funds

C) Both A and B

D) None of the above

Answer: C) Both A and B

11. Where can investors lodge grievances related to stock exchanges?

A) Stock exchange authorities

B) SEBI

C) Both A and B

D) None of the above

Answer: C) Both A and B

12. Which of the following is a common grievance related to stock exchanges?

- A) Delayed settlement of trades
- B) Insider trading
- C) Market manipulation
- D) All of the above

Answer: A) Delayed settlement of trades

13. Who regulates the grievance redressal mechanism for stock exchanges?

- A) SEBI
- B) RBI
- C) IRDAI
- D) None of the above

Answer: A) SEBI

14. What is the purpose of the investor grievance redressal mechanism?

- A) To provide compensation to investors
- B) To resolve disputes between investors and stock exchanges
- C) To prevent fraudulent activities in the market
- D) None of the above

Answer: B) To resolve disputes between investors and stock exchanges

15. Who is responsible for implementing the investor grievance redressal mechanism?

- A) Stock exchange authorities
- B) SEBI
- C) Both A and B
- D) None of the above

Answer: A) Stock exchange authorities

16. Which of the following is a step in the investor grievance redressal process?

- A) Filing a complaint with SEBI
- B) Seeking arbitration from stock exchange authorities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

17. What action can stock exchange authorities take in response to investor grievances?

- A) Imposing penalties on errant brokers
- B) Suspending or expelling members
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

18. Which of the following is a measure to prevent investor grievances?

- A) Educating investors about market risks

- B) Regulating the conduct of market participants
- C) Ensuring timely settlement of trades
- D) All of the above

Answer: D) All of the above

19. What role does SEBI play in the investor grievance redressal mechanism?

- A) Overseeing the functioning of the mechanism
- B) Providing guidelines for redressal
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

20. How does the investor grievance redressal mechanism contribute to investor protection?

- A) By providing a forum for resolving disputes
- B) By deterring fraudulent activities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

21. What does Demat Trading refer to?

- A) Trading in dematerialized securities
- B) Trading in physical securities
- C) Trading in commodities
- D) None of the above

Answer: A) Trading in dematerialized securities

22. Which of the following is required for Demat Trading?

- A) Demat account
- B) Savings account
- C) Fixed deposit account
- D) None of the above

Answer: A) Demat account

23. Who is responsible for maintaining records of securities in Demat form?

- A) Stock exchanges
- B) Depositories
- C) SEBI
- D) None of the above

Answer: B) Depositories

24. Which of the following is an advantage of Demat Trading?

- A) Reduced paperwork
- B) Increased risk of loss or theft
- C) Limited access to securities

D) None of the above

Answer: A) Reduced paperwork

25. What is the process of converting physical securities into electronic form called?

A) Rematerialization

B) Dematerialization

C) Reconciliation

D) None of the above

Answer: B) Dematerialization

26. Who regulates Demat Trading in India?

A) RBI

B) SEBI

C) IRDAI

D) None of the above

Answer: B) SEBI

27. Which of the following is not a depository in India?

A) NSDL

B) CDSL

C) BSE

D) None of the above

Answer: C) BSE

28. What is the purpose of a Depository Participant (DP) in Demat Trading?

A) Maintaining Demat accounts

B) Regulating stock exchanges

C) Issuing securities

D) None of the above

Answer: A) Maintaining Demat accounts

29. How are securities transferred in Demat Trading?

A) Through physical certificates

B) Through electronic book entry

C) Through paper-based transactions

D) None of the above

Answer: B) Through electronic book entry

30. Which of the following is not a feature of Demat Trading?

A) Immediate transfer of securities

B) Lower transaction costs

C) Limited liquidity

D) None of the above

Answer: C) Limited liquidity



31. What does SEBI stand for?

- A) Securities and Exchange Board of India
- B) Stock Exchange Board of India
- C) Securities and Exchange Bureau of India
- D) None of the above

Answer: A) Securities and Exchange Board of India

32. Which of the following is not a function of SEBI in relation to the primary market?

- A) Regulating the issuance of securities
- B) Monitoring the operations of merchant bankers
- C) Regulating stock exchanges
- D) None of the above

Answer: C) Regulating stock exchanges

33. What is the purpose of SEBI guidelines for the primary market?

- A) To protect investors
- B) To promote transparency
- C) To ensure fair practices
- D) All of the above

Answer: D) All of the above

34. Which of the following is covered under SEBI guidelines for the primary market?

- A) Initial Public Offer (IPO)
- B) Follow-on Public Offer (FPO)
- C) Rights Issue
- D) All of the above

Answer: D) All of the above

35. What is the minimum size of the public issue that requires SEBI approval?

- A) Rs. 50 crores
- B) Rs. 100 crores
- C) Rs. 500 crores
- D) Rs. 1000 crores

Answer: A) Rs. 50 crores

36. Which of the following is true about SEBI's role in regulating the primary market?

- A) SEBI prescribes eligibility criteria for issuers
- B) SEBI monitors the use of issue proceeds
- C) SEBI regulates the activities of merchant bankers
- D) All of the above

Answer: D) All of the above

37. Which of the following documents is required to be filed with SEBI for approval of a public issue?

- A) Prospectus
- B) Offer document
- C) Draft Red Herring Prospectus (DRHP)
- D) All of the above

Answer: C) Draft Red Herring Prospectus (DRHP)

38. What is the purpose of the Red Herring Prospectus (RHP)?

- A) To disclose material information about the issuer
- B) To invite public subscription for securities
- C) To provide a preliminary offer document
- D) None of the above

Answer: A) To disclose material information about the issuer

39. Which of the following is not a disclosure requirement under SEBI guidelines for the primary market?

- A) Financial statements of the issuer
- B) Risk factors associated with the issue
- C) Personal details of the company's directors
- D) None of the above

Answer: C) Personal details of the company's directors

40. How does SEBI protect investors in the primary market?

- A) By ensuring that issuers disclose all material information
- B) By regulating the activities of intermediaries
- C) By monitoring the use of issue proceeds
- D) All of the above

Answer: D) All of the above

41. What does SEBI stand for?

- A) Securities Exchange Board of India
- B) Securities and Exchange Bureau of India
- C) Securities and Exchange Board of India
- D) None of the above

Answer: C) Securities and Exchange Board of India

42. Which of the following is not a function of SEBI in relation to the secondary market?

- A) Regulating stock exchanges
- B) Regulating merchant bankers
- C) Regulating insider trading
- D) None of the above

Answer: B) Regulating merchant bankers

43. What is the purpose of SEBI guidelines for the secondary market?

- A) To protect investors
- B) To promote fair and transparent trading practices

- C) To prevent market manipulation
- D) All of the above

Answer: D) All of the above

44. Which of the following is covered under SEBI guidelines for the secondary market?

- A) Trading of securities
- B) Clearing and settlement of trades
- C) Regulation of stock exchanges
- D) All of the above

Answer: D) All of the above

45. What is the minimum net worth required for registration as a stockbroker with SEBI?

- A) Rs. 10 lakhs
- B) Rs. 25 lakhs
- C) Rs. 50 lakhs
- D) Rs. 1 crore

Answer: C) Rs. 50 lakhs

46. Which of the following is true about SEBI's role in regulating the secondary market?

- A) SEBI regulates the trading of securities
- B) SEBI monitors stock exchanges
- C) SEBI enforces compliance with regulations
- D) All of the above

Answer: D) All of the above

47. Which of the following is required to be disclosed by listed companies under SEBI guidelines?

- A) Financial results
- B) Price-sensitive information
- C) Corporate governance practices
- D) All of the above

Answer: D) All of the above

48. What is the purpose of SEBI's prohibition of insider trading?

- A) To prevent unfair advantage to insiders
- B) To maintain market integrity
- C) To protect investor interests
- D) All of the above

Answer: D) All of the above

49. Which of the following is not a disclosure requirement for listed companies under SEBI guidelines?

- A) Annual report
- B) Quarterly financial results
- C) Board meeting minutes
- D) None of the above

Answer: D) None of the above

50. How does SEBI protect investors in the secondary market?

- A) By regulating stock exchanges and intermediaries
- B) By ensuring market transparency and integrity
- C) By monitoring trading activities
- D) All of the above

Answer: D) All of the above

51. What is the primary function of the National Company Law Tribunal (NCLT)?

- A) Adjudicating corporate disputes
- B) Regulating stock exchanges
- C) Supervising banks and financial institutions
- D) None of the above

Answer: A) Adjudicating corporate disputes

52. Which ministry is responsible for the administration of the NCLT?

- A) Ministry of Corporate Affairs
- B) Ministry of Finance
- C) Ministry of Law and Justice
- D) None of the above

Answer: A) Ministry of Corporate Affairs

53. Who appoints the judges of the NCLT?

- A) President of India
- B) Chief Justice of India
- C) Prime Minister of India
- D) None of the above

Answer: A) President of India

54. Which of the following matters does the NCLT have jurisdiction over?

- A) Insolvency and bankruptcy proceedings
- B) Mergers and acquisitions
- C) Winding up of companies
- D) All of the above

Answer: D) All of the above

55. What is the function of the National Company Law Appellate Tribunal (NCLAT)?

- A) Hearing appeals against NCLT decisions
- B) Enforcing company law provisions
- C) Regulating stock exchanges
- D) None of the above

Answer: A) Hearing appeals against NCLT decisions

56. Who appoints the chairperson and members of the NCLAT?

- A) President of India
- B) Chief Justice of India
- C) Prime Minister of India
- D) None of the above

Answer: A) President of India

57. Which of the following matters does the NCLAT have jurisdiction over?

- A) Appeals against NCLT orders
- B) Regulatory enforcement actions
- C) Monetary policy decisions
- D) None of the above

Answer: A) Appeals against NCLT orders

57. How many benches does the NCLT have?

- A) 10
- B) 11
- C) 12
- D) 13

Answer: B) 11

58. Which of the following is true about the NCLT and NCLAT?

- A) They are quasi-judicial bodies
- B) They have exclusive jurisdiction over company law matters
- C) They have the power to enforce their own orders
- D) All of the above

Answer: D) All of the above

59. What is the significance of the NCLT and NCLAT in corporate governance?

- A) They provide a forum for efficient resolution of corporate disputes
- B) They ensure compliance with company law provisions
- C) They contribute to the development of a robust corporate regulatory framework
- D) All of the above

Answer: D) All of the above

60. Which of the following functionaries on stock exchanges is primarily focused on generating returns for their clients through investment management activities?

- A) Jobbers
- B) Portfolio consultants
- C) Institutional investors
- D) None of the above

Answer: B) Portfolio consultants

61. What does the term "demat" stand for in the context of a demat account?

- A) Demand Account
- B) Dematerialized Account
- C) Deposit Account
- D) Derivative Account

Answer: B) Dematerialized Account

62. Which of the following is NOT a benefit of having a demat account?

- A) Reduced paperwork
- B) Faster settlement of trades
- C) Increased risk of theft or loss
- D) Easy accessibility to holdings

Answer: C) Increased risk of theft or loss

63. Which organization is responsible for overseeing the functioning of demat accounts in India?

- A) RBI (Reserve Bank of India)
- B) SEBI (Securities and Exchange Board of India)
- C) NSE (National Stock Exchange)
- D) BSE (Bombay Stock Exchange)

Answer: B) SEBI (Securities and Exchange Board of India)

64. What is the primary purpose of a demat account?

- A) To invest in mutual funds
- B) To trade in commodities
- C) To hold and trade securities in electronic form
- D) To deposit money for future use

Answer: C) To hold and trade securities in electronic form

65. Which of the following securities can be held in a demat account?

- A) Physical share certificates
- B) Bank drafts
- C) Gold coins
- D) Government bonds

Answer: A) Physical share certificates

66. How are shares transferred in and out of a demat account?

- A) Through physical delivery of share certificates
- B) Through electronic credit or debit
- C) Through bank transfers
- D) Through barter transactions

Answer: B) Through electronic credit or debit

67. Who can open a demat account?

- A) Only individuals above 50 years of age
- B) Only Indian citizens
- C) Only minors with a guardian



D) Any individual, Hindu Undivided Family (HUF), or corporate entity

Answer: D) Any individual, Hindu Undivided Family (HUF), or corporate entity

68. What is the minimum balance requirement for maintaining a demat account?

A) There is no minimum balance requirement

B) ₹1,000

C) ₹5,000

D) ₹10,000

Answer: A) There is no minimum balance requirement

69. Which of the following is NOT a demat account provider in India?

A) NSDL (National Securities Depository Limited)

B) CDSL (Central Depository Services Limited)

C) RBI (Reserve Bank of India)

D) Stock brokers and depository participants

Answer: C) RBI (Reserve Bank of India)

70. How are dividends received on securities held in a demat account?

A) In the form of physical cheques

B) Credited directly to the bank account linked to the demat account

C) Through online wallets

D) In the form of gold coins

Answer: B) Credited directly to the bank account linked to the demat account

71. What are grievances concerning stock exchange dealings?

A) Complaints related to the stock exchange's location

B) Disputes arising from stock trading activities

C) Grievances about stock market regulations

D) Concerns about the stock exchange's financial health

Answer: B) Disputes arising from stock trading activities

72. Who can file a grievance concerning stock exchange dealings?

A) Only stock brokers

B) Only listed companies

C) Any stakeholder involved in stock exchange transactions

D) Only regulatory authorities

Answer: C) Any stakeholder involved in stock exchange transactions

73. Which of the following is NOT a common grievance concerning stock exchange dealings?

A) Price manipulation

B) Insider trading

C) Delayed settlement of trades

D) High trading volumes

Answer: D) High trading volumes

74. How are grievances concerning stock exchange dealings typically resolved?

- A) Through legal action
- B) Through arbitration or mediation
- C) By the government
- D) By suspending trading activities

Answer: B) Through arbitration or mediation

75. Which organization is responsible for handling grievances concerning stock exchange dealings in India? A) SEBI (Securities and Exchange Board of India)

- B) RBI (Reserve Bank of India)
- C) NSE (National Stock Exchange)
- D) BSE (Bombay Stock Exchange)

Answer: A) SEBI (Securities and Exchange Board of India)

76. What is the purpose of arbitration in resolving grievances concerning stock exchange dealings?

- A) To provide legal advice
- B) To enforce trading regulations
- C) To settle disputes outside of court
- D) To regulate stock prices

Answer: C) To settle disputes outside of court

77. Which of the following is a type of grievance concerning stock exchange dealings related to unfair trade practices?

- A) Delayed settlement of trades
- B) Price manipulation
- C) Listing requirements
- D) Dividend payments

Answer: B) Price manipulation

78. What role do stock exchange authorities play in resolving grievances?

- A) They act as mediators
- B) They enforce trading regulations
- C) They provide legal representation
- D) They manage stock portfolios

Answer: A) They act as mediators

79. Which of the following is a grievance concerning stock exchange dealings related to inadequate disclosure of information?

- A) High trading volumes
- B) Delayed settlement of trades
- C) Insider trading
- D) Price manipulation

Answer: C) Insider trading

80. What is the purpose of regulatory authorities in handling grievances concerning stock exchange

dealings?

- A) To protect investors' interests
- B) To manipulate stock prices
- C) To encourage speculative trading
- D) To increase trading volumes

Answer: A) To protect investors' interests

81. Which of the following is a grievance concerning stock exchange dealings related to inadequate investor protection?

- A) Delayed settlement of trades
- B) High trading volumes
- C) Price manipulation
- D) Insider trading

Answer: A) Delayed settlement of trades

82. Which of the following is a method used to resolve grievances concerning stock exchange dealings through arbitration?

- A) Negotiation
- B) Litigation
- C) Mediation
- D) Adjudication

Answer: A) Negotiation

83. What is the role of SEBI in addressing grievances concerning stock exchange dealings? A) To regulate stock prices

- B) To enforce trading regulations
- C) To provide legal advice
- D) To protect investors' interests

Answer: D) To protect investors' interests

84. Which of the following is a grievance concerning stock exchange dealings related to inadequate market surveillance?

- A) Price manipulation
- B) Insider trading
- C) Delayed settlement of trades
- D) High trading volumes

Answer: B) Insider trading

85. What is the purpose of investor education in addressing grievances concerning stock exchange dealings?

- A) To increase speculative trading
- B) To discourage investors from participating in the stock market
- C) To empower investors to make informed decisions
- D) To manipulate stock prices

Answer: C) To empower investors to make informed decisions

86. What is one of the primary considerations for investors when choosing stocks?

- A) Recent stock price performance
- B) Company's long-term growth potential
- C) Short-term market trends
- D) Analyst recommendations

Answer: B) Company's long-term growth potential

87. Which financial metric helps investors assess a company's profitability?

- A) Price-earnings ratio (P/E)
- B) Earnings per share (EPS)
- C) Dividend yield
- D) Return on investment (ROI)

Answer: B) Earnings per share (EPS)

88. What does the price-earnings ratio (P/E) indicate to investors?

- A) Company's liquidity
- B) Company's debt levels
- C) Stock's valuation
- D) Stock's dividend yield

Answer: C) Stock's valuation

89. Which of the following factors is NOT typically considered by investors when evaluating a company's stock?

- A) Market capitalization
- B) Industry trends
- C) Political affiliations of the company
- D) Management team

Answer: C) Political affiliations of the company

90. What role does the dividend yield play in investment decisions?

- A) Indicates the growth potential of the company
- B) Provides income for investors
- C) Indicates the volatility of the stock
- D) Reflects the company's debt levels

Answer: B) Provides income for investors

91. Which of the following statements is true about diversification in investment?

- A) It reduces investment risk by spreading investments across different assets
- B) It increases investment risk by focusing on a single asset
- C) It is not a significant factor in investment decisions
- D) It only applies to large investors

Answer: A) It reduces investment risk by spreading investments across different assets

92. What does the term "market capitalization" refer to in stock investing?

- A) Total value of all outstanding shares of a company
- B) Price of a stock divided by its earnings per share
- C) Annual dividend income divided by the current stock price
- D) Total value of a company's assets

Answer: A) Total value of all outstanding shares of a company

93. Which of the following factors is NOT typically considered by investors when evaluating the management team of a company?

- A) Previous experience of the management team
- B) Track record of the management team
- C) Political affiliations of the management team
- D) Communication skills of the management team

Answer: C) Political affiliations of the management team

94. What is the role of technical analysis in investment decisions?

- A) Evaluating a company's financial statements
- B) Assessing a company's long-term growth potential
- C) Analyzing historical stock price trends
- D) Predicting future market trends

Answer: C) Analyzing historical stock price trends

95. Which of the following statements is true about risk tolerance in investing? A) It refers to the level of risk an investor is willing to take

- B) It is the same for all investors
- C) It does not affect investment decisions
- D) It is not a significant factor in portfolio management

Answer: A) It refers to the level of risk an investor is willing to take

96. What is the significance of the book value per share metric for investors?

- A) It indicates the market price of a stock
- B) It shows the value of a company's assets per share
- C) It represents the earnings per share
- D) It measures the liquidity of a stock

Answer: B) It shows the value of a company's assets per share

97. Which of the following is a factor that influences an investor's decision to buy or sell a stock?

- A) The company's headquarters location
- B) The company's advertising campaigns
- C) The company's competitive advantage
- D) The company's social media presence

Answer: C) The company's competitive advantage

98. What does the term "liquidity" refer to in investing?

- A) The ability to buy or sell an asset without causing a significant price change
- B) The total value of a company's assets

- C) The company's debt levels
- D) The company's cash reserves

Answer: A) The ability to buy or sell an asset without causing a significant price change

99. Which of the following statements is true about the price-earnings growth (PEG) ratio? A) It measures a company's profitability

- B) It indicates how much investors are willing to pay for a stock relative to its earnings growth
- C) It is calculated by dividing a company's stock price by its book value per share
- D) It is used to assess a company's liquidity

Answer: B) It indicates how much investors are willing to pay for a stock relative to its earnings growth

100. What is the role of market sentiment in investment decisions? A) It has no impact on investment decisions

- B) It reflects investors' overall confidence in the market
- C) It is the same for all investors
- D) It only affects short-term investments

Answer: B) It reflects investors' overall confidence in the market





## Model Paper

### B.com (Part VI) EXAMINATION, 2024

#### (New Course)

#### Financial Market Operations

1. What role do financial markets play in the economy?

- A) They help in the efficient allocation of resources
- B) They facilitate economic growth and development
- C) They provide liquidity to investors
- D) All of the above

Answer: D) All of the above

2. What is the Industrial Securities Market?

- A) A market for trading industrial machinery
  - B) A market for trading securities issued by industrial companies
  - C) A market for trading raw materials
  - D) A market for trading consumer goods
- Answer: B) A market for trading securities issued by industrial companies

3. Which of the following securities are traded in the Industrial Securities Market?

- A) Stocks
- B) Bonds
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

4. What is the primary purpose of the Industrial Securities Market?

- A) To provide a platform for trading industrial products
- B) To provide financing to industrial companies
- C) To provide insurance to industrial companies
- D) To provide employment to industrial workers

Answer: B) To provide financing to industrial companies

5. Which of the following is NOT a participant in the Industrial Securities Market?

- A) Investors
- B) Industrial companies
- C) Government agencies
- D) Stock exchanges

Answer: C) Government agencies

6. How do industrial companies benefit from the Industrial Securities Market?

- A) By raising capital for expansion and growth

By Dr. Sandeep Kumar Rawat

- B) By diversifying their investment portfolio
- C) By obtaining loans at lower interest rates
- D) By reducing their operational costs

Answer: A) By raising capital for expansion and growth

7. Which of the following is a characteristic of the Industrial Securities Market?

- A) High liquidity
- B) Low risk
- C) Long-term investment horizon
- D) Limited trading hours

Answer: C) Long-term investment horizon

8. How are securities traded in the Industrial Securities Market?

- A) Through physical trading floors
- B) Through electronic trading platforms
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

9. What role do stock exchanges play in the Industrial Securities Market?

- A) They provide a platform for trading securities
- B) They regulate the market and ensure compliance with rules and regulations
- C) They facilitate the listing of securities issued by industrial companies
- D) All of the above

Answer: D) All of the above

10. Which of the following statements is true about the Industrial Securities Market?

- A) It is a market for trading agricultural products
- B) It is a market for trading securities issued by financial institutions
- C) It is a market for trading securities issued by industrial companies
- D) It is a market for trading real estate properties

Answer: C) It is a market for trading securities issued by industrial companies

11. What is the significance of the Industrial Securities Market in the economy?

- A) It provides financing to industrial companies for expansion and growth
- B) It facilitates investment and capital formation
- C) It contributes to economic development and job creation
- D) All of the above

Answer: D) All of the above

12. What is the Government Securities Market?

- A) A market for trading securities issued by government entities
- B) A market for trading securities issued by private companies
- C) A market for trading agricultural products

D) A market for trading consumer goods

Answer: A) A market for trading securities issued by government entities

13. Which of the following securities are traded in the Government Securities Market?

- A) Treasury bills
- B) Government bonds
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

14. What is the primary purpose of the Government Securities Market?

- A) To provide financing to government entities
- B) To provide a platform for trading agricultural products
- C) To provide insurance to government entities
- D) To provide employment to government workers

Answer: A) To provide financing to government entities

15. Which of the following is NOT a participant in the Government Securities Market?

- A) Investors
- B) Government entities
- C) Private companies
- D) Financial institutions

Answer: C) Private companies

16. How do government entities benefit from the Government Securities Market?

- A) By raising capital for financing government projects
- B) By diversifying their investment portfolio
- C) By obtaining loans at lower interest rates
- D) By reducing their operational costs

Answer: A) By raising capital for financing government projects

17. Which of the following is a characteristic of the Government Securities Market?

- A) High liquidity
- B) Low risk
- C) Short-term investment horizon
- D) Limited trading hours

Answer: B) Low risk

18. How are securities traded in the Government Securities Market?

- A) Through physical trading floors
- B) Through electronic trading platforms
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

19. What role do financial institutions play in the Government Securities Market?

- A) They provide a platform for trading securities
- B) They regulate the market and ensure compliance with rules and regulations
- C) They facilitate the listing of securities issued by government entities
- D) All of the above

Answer: C) They facilitate the listing of securities issued by government entities

20. Which of the following statements is true about the Government Securities Market?

- A) It is a market for trading securities issued by private companies
- B) It is a market for trading securities issued by financial institutions
- C) It is a market for trading securities issued by government entities
- D) It is a market for trading real estate properties

Answer: C) It is a market for trading securities issued by government entities

21. What is the significance of the Government Securities Market in the economy?

- A) It provides financing to government entities for projects and operations
- B) It facilitates investment and capital formation
- C) It contributes to economic development and stability
- D) All of the above

Answer: D) All of the above

22. What is the Mortgages Market?

- A) A market for trading real estate properties
- B) A market for trading mortgage-backed securities
- C) A market for trading agricultural products
- D) A market for trading consumer goods

Answer: B) A market for trading mortgage-backed securities

23. Which of the following securities are traded in the Mortgages Market?

- A) Mortgage loans
- B) Mortgage-backed securities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

24. What is the primary purpose of the Mortgages Market?

- A) To provide financing to real estate developers
- B) To provide a platform for trading real estate properties
- C) To provide insurance to real estate investors
- D) To provide employment to real estate agents

Answer: B) To provide a platform for trading mortgage-backed securities

25. Which of the following is NOT a participant in the Mortgages Market?

- A) Investors

- B) Real estate developers
- C) Government agencies
- D) Stock exchanges

Answer: D) Stock exchanges

26. What is the new issue market?

- A) A market for trading existing securities
- B) A market for issuing new securities to the public
- C) A market for short-term financing
- D) A market for foreign exchange

Answer: B) A market for issuing new securities to the public

27. The new issue market is also known as the:

- A) Primary market
- B) Secondary market
- C) Money market
- D) Capital market

Answer: A) Primary market

28. Which of the following is a function of the new issue market?

- A) Providing liquidity for existing securities
- B) Facilitating the trading of securities after the initial issuance
- C) Raising capital for companies through the issuance of new securities
- D) None of the above

Answer: C) Raising capital for companies through the issuance of new securities

29. The primary purpose of the new issue market is to:

- A) Provide short-term financing for businesses
- B) Facilitate the buying and selling of goods
- C) Allocate financial resources for long-term investment
- D) Raise capital for companies through the issuance of new securities

Answer: D) Raise capital for companies through the issuance of new securities

30. Which of the following is an example of a new issue market instrument?

- A) Treasury bills
- B) Corporate bonds
- C) Commercial paper
- D) All of the above

Answer: B) Corporate bonds

31. The new issue market helps companies in:

- A) Generating short-term profits
- B) Raising long-term capital
- C) Providing liquidity for short-term needs

D) None of the above

Answer: B) Raising long-term capital

32. Which of the following is a characteristic of the new issue market?

- A) Focuses on trading existing securities
- B) Offers low-risk investment options
- C) Facilitates the initial issuance of securities to the public
- D) None of the above

Answer: C) Facilitates the initial issuance of securities to the public

33. The new issue market plays a crucial role in:

- A) Funding government projects
- B) Providing short-term loans to individuals
- C) Financing long-term investments
- D) None of the above

Answer: C) Financing long-term investments

34. Which of the following is a function of the new issue market?

- A) Providing liquidity for short-term needs
- B) Facilitating international trade
- C) Allocating financial resources for long-term investment
- D) All of the above

Answer: C) Allocating financial resources for long-term investment

35. The new issue market is essential for:

- A) Short-term borrowing
- B) Long-term investments
- C) Currency trading
- D) None of the above

Answer: B) Long-term investments

36. Which of the following is an instrument used in the new issue market?

- A) Treasury bills
- B) Corporate bonds
- C) Commercial paper
- D) All of the above

Answer: D) All of the above

37. What is a corporate bond?

- A) A short-term debt instrument issued by the government
- B) A long-term debt instrument issued by a corporation
- C) A form of equity financing
- D) A type of currency trading instrument

Answer: B) A long-term debt instrument issued by a corporation



38. What is commercial paper?

- A) A long-term debt instrument issued by a corporation
- B) A short-term debt instrument issued by a corporation
- C) A form of equity financing
- D) A type of currency trading instrument

Answer: B) A short-term debt instrument issued by a corporation

39. Which of the following is an equity instrument?

- A) Corporate bond
- B) Commercial paper
- C) Common stock
- D) Treasury bill

Answer: C) Common stock

40. What is a treasury bill?

- A) A long-term debt instrument issued by the government
- B) A short-term debt instrument issued by the government
- C) A form of equity financing
- D) A type of currency trading instrument

Answer: B) A short-term debt instrument issued by the government

41. Which instrument represents ownership in a corporation?

- A) Corporate bond
- B) Commercial paper
- C) Common stock
- D) Treasury bill

Answer: C) Common stock

42. What is a debenture?

- A) A long-term debt instrument secured by specific assets
- B) A short-term debt instrument issued by the government
- C) A form of equity financing
- D) A long-term debt instrument not secured by specific assets

Answer: D) A long-term debt instrument not secured by specific assets

43. Which of the following is a characteristic of preference shares?

- A) They carry voting rights
- B) They have a fixed dividend rate
- C) They represent ownership in a corporation
- D) They have priority over common shares in dividend payments

Answer: D) They have priority over common shares in dividend payments

44. What is a rights issue?

- A) An issue of new shares to existing shareholders
- B) An issue of debt securities to raise capital
- C) An issue of new shares to the public
- D) An issue of preference shares

Answer: A) An issue of new shares to existing shareholders

45. What is a bonus issue?

- A) An issue of new shares to existing shareholders
- B) An issue of debt securities to raise capital
- C) An issue of new shares to the public
- D) An issue of preference shares

Answer: A) An issue of new shares to existing shareholders

46. Who are the primary players in the new issue market?

- A) Retail investors
- B) Institutional investors
- C) Issuing companies
- D) All of the above

Answer: D) All of the above

47. Which of the following is a role of retail investors in the new issue market?

- A) Issuing new securities
- B) Underwriting new securities
- C) Purchasing new securities
- D) None of the above

Answer: C) Purchasing new securities

48. Institutional investors play a significant role in the new issue market by:

- A) Underwriting new securities
- B) Purchasing large quantities of new securities
- C) Issuing new securities
- D) None of the above

Answer: B) Purchasing large quantities of new securities

49. Who is responsible for issuing new securities in the new issue market?

- A) Retail investors
- B) Institutional investors
- C) Issuing companies
- D) None of the above

Answer: C) Issuing companies

50. Underwriters in the new issue market are responsible for:

- A) Issuing new securities
- B) Purchasing new securities

- C) Guaranteeing the sale of new securities
- D) None of the above

Answer: C) Guaranteeing the sale of new securities

51. What is the significance of a stock exchange in the economy?

- A) It provides a platform for companies to raise capital
- B) It helps investors diversify their portfolios
- C) It contributes to economic growth and development
- D) All of the above

Answer: D) All of the above

52. How do stock exchanges impact investor behavior?

- A) By guaranteeing returns on investments
- B) By providing information and transparency
- C) By limiting the types of securities available
- D) None of the above

Answer: B) By providing information and transparency

53. Which of the following is a role of stock exchanges in corporate governance?

- A) Setting executive salaries
- B) Ensuring companies comply with regulations
- C) Issuing new securities
- D) None of the above

Answer: B) Ensuring companies comply with regulations

54. How do stock exchanges contribute to economic development?

- A) By providing a platform for investment
- B) By promoting entrepreneurship
- C) By facilitating capital formation
- D) All of the above

Answer: D) All of the above

55. What is the listing procedure in a stock exchange?

- A) The process of registering a company's securities for trading on the exchange
- B) The process of buying and selling securities on the exchange
- C) The process of issuing new securities to the public
- D) None of the above

Answer: A) The process of registering a company's securities for trading on the exchange

56. Which of the following securities can be listed on a stock exchange?

- A) Only equity shares
- B) Only debt securities
- C) Both equity and debt securities
- D) None of the above

Answer: C) Both equity and debt securities

57. What is the role of the stock exchange in the listing procedure?

- A) To issue new securities
- B) To facilitate the listing process
- C) To regulate the market
- D) None of the above

Answer: B) To facilitate the listing process

58. What is the purpose of listing securities on a stock exchange?

- A) To raise capital for companies
- B) To provide liquidity to investors
- C) To regulate the market
- D) All of the above

Answer: B) To provide liquidity to investors

59. How does a company apply for listing on a stock exchange?

- A) By submitting an application to the exchange
- B) By issuing new securities
- C) By purchasing securities from the exchange
- D) None of the above

Answer: A) By submitting an application to the exchange

60. What are the requirements for listing on a stock exchange?

- A) Meeting minimum capital requirements
- B) Having a track record of profitability
- C) Having a minimum number of shareholders
- D) All of the above

Answer: D) All of the above

61. Who approves the listing of securities on a stock exchange?

- A) Stock exchange authorities
- B) Regulatory authorities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

62. What is the significance of listing requirements?

- A) To ensure transparency and investor protection
- B) To restrict the number of companies listed on the exchange
- C) To limit the types of securities available for trading
- D) None of the above

Answer: A) To ensure transparency and investor protection

63. How does listing benefit a company?

- A) By providing access to a larger pool of investors
- B) By increasing the liquidity of its securities
- C) By enhancing its credibility and visibility
- D) All of the above

Answer: D) All of the above

64. What is the role of the Securities and Exchange Board of India (SEBI) in the listing procedure?

- A) To set listing requirements
- B) To approve the listing of securities
- C) To regulate the stock exchange
- D) All of the above

Answer: D) All of the above

65. What is the Securities and Exchange Board of India (SEBI) responsible for in relation to the listing of securities?

- A) Setting listing requirements
- B) Approving the listing of securities
- C) Regulating the stock exchange
- D) All of the above

Answer: A) Setting listing requirements

66. Which of the following is a legal requirement for listing on a stock exchange?

- A) Having a minimum net worth
- B) Having a minimum track record of profitability
- C) Having a minimum number of shareholders
- D) All of the above

Answer: D) All of the above

67. Who approves the listing of securities on a stock exchange?

- A) Stock exchange authorities
- B) Regulatory authorities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

68. What is the role of the Registrar of Companies (ROC) in the listing process?

- A) Approving the company's memorandum and articles of association
- B) Verifying compliance with the Companies Act
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

69. Which of the following documents is required for listing on a stock exchange?

- A) Memorandum of Association (MOA)
- B) Articles of Association (AOA)
- C) Prospectus
- D) All of the above

Answer: D) All of the above

70. What is the purpose of the prospectus in the listing process?

- A) To provide information about the company to potential investors
- B) To obtain approval from regulatory authorities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

71. How does compliance with the Companies Act relate to listing requirements?

- A) It ensures that the company is legally allowed to issue securities
- B) It ensures that the company has a minimum net worth
- C) It ensures that the company has a minimum number of shareholders
- D) None of the above

Answer: A) It ensures that the company is legally allowed to issue securities

72. Which of the following is a legal requirement for issuing securities to the public?

- A) Obtaining approval from SEBI
- B) Publishing a prospectus
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

73. What is the role of the stock exchange authorities in the listing process?

- A) Approving the listing of securities
- B) Ensuring compliance with listing requirements
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

74. How do legal requirements for listing protect investors?

- A) By ensuring that the company has a minimum track record of profitability
- B) By ensuring that the company provides accurate and complete information
- C) By limiting the types of securities available for trading
- D) None of the above

Answer: B) By ensuring that the company provides accurate and complete information

75. Which of the following is a step in the investor grievance redressal process?

- A) Filing a complaint with SEBI
- B) Seeking arbitration from stock exchange authorities



- C) Both A and B
- D) None of the above

Answer: C) Both A and B

76. What action can stock exchange authorities take in response to investor grievances?

- A) Imposing penalties on errant brokers
- B) Suspending or expelling members
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

77. Which of the following is a measure to prevent investor grievances?

- A) Educating investors about market risks
- B) Regulating the conduct of market participants
- C) Ensuring timely settlement of trades
- D) All of the above

Answer: D) All of the above

78. What role does SEBI play in the investor grievance redressal mechanism?

- A) Overseeing the functioning of the mechanism
- B) Providing guidelines for redressal
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

79. How does the investor grievance redressal mechanism contribute to investor protection?

- A) By providing a forum for resolving disputes
- B) By deterring fraudulent activities
- C) Both A and B
- D) None of the above

Answer: C) Both A and B

80. What does Demat Trading refer to?

- A) Trading in dematerialized securities
- B) Trading in physical securities
- C) Trading in commodities
- D) None of the above

Answer: A) Trading in dematerialized securities

81. Which of the following is required for Demat Trading?

- A) Demat account
- B) Savings account
- C) Fixed deposit account
- D) None of the above

Answer: A) Demat account

82. Who is responsible for maintaining records of securities in Demat form?

- A) Stock exchanges
- B) Depositories
- C) SEBI
- D) None of the above

Answer: B) Depositories

83. Which of the following is an advantage of Demat Trading?

- A) Reduced paperwork
- B) Increased risk of loss or theft
- C) Limited access to securities
- D) None of the above

Answer: A) Reduced paperwork

84. What is the process of converting physical securities into electronic form called?

- A) Rematerialization
- B) Dematerialization
- C) Reconciliation
- D) None of the above

Answer: B) Dematerialization

85. Who regulates Demat Trading in India?

- A) RBI
- B) SEBI
- C) IRDAI
- D) None of the above

Answer: B) SEBI

86. Which of the following is not a depository in India?

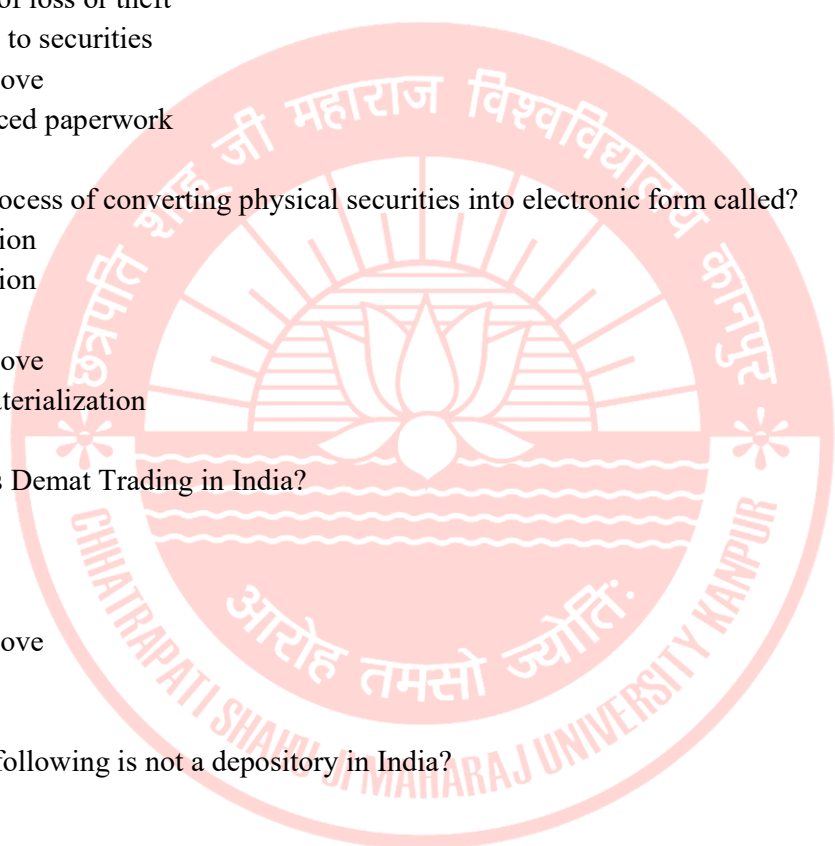
- A) NSDL
- B) CDSL
- C) BSE
- D) None of the above

Answer: C) BSE

87. What is the purpose of a Depository Participant (DP) in Demat Trading?

- A) Maintaining Demat accounts
- B) Regulating stock exchanges
- C) Issuing securities
- D) None of the above

Answer: A) Maintaining Demat accounts



88. How are securities transferred in Demat Trading?

- A) Through physical certificates
- B) Through electronic book entry
- C) Through paper-based transactions
- D) None of the above

Answer: B) Through electronic book entry

89. Which of the following is not a feature of Demat Trading?

- A) Immediate transfer of securities
- B) Lower transaction costs
- C) Limited liquidity
- D) None of the above

Answer: C) Limited liquidity

90. What does SEBI stand for?

- A) Securities and Exchange Board of India
- B) Stock Exchange Board of India
- C) Securities and Exchange Bureau of India
- D) None of the above

Answer: A) Securities and Exchange Board of India

91. Which of the following is not a function of SEBI in relation to the primary market?

- A) Regulating the issuance of securities
- B) Monitoring the operations of merchant bankers
- C) Regulating stock exchanges
- D) None of the above

Answer: C) Regulating stock exchanges

92. What is the purpose of SEBI guidelines for the primary market?

- A) To protect investors
- B) To promote transparency
- C) To ensure fair practices
- D) All of the above

Answer: D) All of the above

93. Which of the following is covered under SEBI guidelines for the primary market?

- A) Initial Public Offer (IPO)
- B) Follow-on Public Offer (FPO)
- C) Rights Issue
- D) All of the above

Answer: D) All of the above

94. What is the minimum size of the public issue that requires SEBI approval?

- A) Rs. 50 crores

- B) Rs. 100 crores
- C) Rs. 500 crores
- D) Rs. 1000 crores

Answer: A) Rs. 50 crores

95. Which of the following is true about SEBI's role in regulating the primary market?

- A) SEBI prescribes eligibility criteria for issuers
- B) SEBI monitors the use of issue proceeds
- C) SEBI regulates the activities of merchant bankers
- D) All of the above

Answer: D) All of the above

96. Which of the following documents is required to be filed with SEBI for approval of a public issue?

- A) Prospectus
- B) Offer document
- C) Draft Red Herring Prospectus (DRHP)
- D) All of the above

Answer: C) Draft Red Herring Prospectus (DRHP)

97. What is the purpose of the Red Herring Prospectus (RHP)?

- A) To disclose material information about the issuer
- B) To invite public subscription for securities
- C) To provide a preliminary offer document
- D) None of the above

Answer: A) To disclose material information about the issuer

98. Which of the following is not a disclosure requirement under SEBI guidelines for the primary market?

- A) Financial statements of the issuer
- B) Risk factors associated with the issue
- C) Personal details of the company's directors
- D) None of the above

Answer: C) Personal details of the company's directors

99. How does SEBI protect investors in the primary market?

- A) By ensuring that issuers disclose all material information
- B) By regulating the activities of intermediaries
- C) By monitoring the use of issue proceeds
- D) All of the above

Answer: D) All of the above

100. What is one of the primary considerations for investors when choosing stocks?

- A) Recent stock price performance
- B) Company's long-term growth potential
- C) Short-term market trends

By Dr. Sandeep Kumar Rawat

D) Analyst recommendations

Answer: B) Company's long-term growth potential

