SECURITIES MARKET QUIZ

REFERRAL GUIDEBOOK

COMPILED BY

BSE-INVESTORS' PROTECTION FUND

FOR

QUIZ ON SECURITIES MARKET AWARENESS

10.10.2022 TO 16.10.2022

BSE - INTERNAL

INVESTORS' PROTECTION FUND

S.No.	INDEX	PAGE NUMBER
1.	Title	1-1
2.	Index	2-2
2.	Regulatory framework of Securities Market	3-3
3.	Securities and Securities Market	4-5
4.	Primary Market	6-8
5.	Secondary Market	9-12
7.	Power of Attorney	13-14
7.	Margin , Pledge & Re-pledge	15-16
8.	Trading & Settlement Cycle	17-17
9.	Contract note, SMS Email alerts, Running account etc.	18-20
10.	Mutual Fund	21-27
11.	Grievance/claim settlement mechanisms for investors	28-29
12.	Investor Protection Fund	30-30
13.	Regulatory changes impacting investors taken place in last 2 years.	31-37
13.	Do's & Dont's to be observed by investors	38-39
14.	Rights and Obligations on part of investors	40-40
15.	Abbreviations	41-41

BSE - INTERNAL

INVESTORS' PROTECTION FUND

Disclaimer - This is only a guide to provide basic information that may help to answer the questions posed in the Quiz and neither holds out nor asserts that every question of the quiz is covered herein. Information is provided as a guide or learning only, and all errors and omissions are accepted. This booklet is compiled by BSE Investors Protection Fund on a best-efforts basis.

Regulatory Framework for Securities Market.

The regulation of buying, selling and dealing in securities such as Equity shares of a company, units of mutual funds, derivatives, etc. and stock exchanges comes within the purview of Securities and Exchange Board of India (SEBI) in terms of SEBI Act, 1992 and various SEBI regulations/ circulars/ guidelines/ directives.

SEBI was established in the year 1992 in accordance with the provisions of the SEBI Act., an Act of Parliament. The mandate of SEBI is to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto. Earlier, the Commodity Derivatives market was regulated by Forward Market Commission (FMC), however since September 2015 the Commodity Derivatives Market is also being regulated by SEBI due to merging of FMC with SEBI.

At present, the four main legislations governing “the securities market” are:

a) **SEBI Act, 1992**, which empowers SEBI with statutory powers for (i) protecting the interests of investors in securities, (ii) promoting development of the securities market, and (iii) regulating the securities market.

b) **Companies Act, 2013**, which provides regulations for issuance, allotment and transfer of securities, and related matters in public issues of securities;

c) **Securities Contracts (Regulation) Act, 1956,** which provides for recognition and regulation of transactions in securities in a Stock Exchange.

d) **Depositories Act, 1996,** which provides for electronic maintenance and transfer of ownership of dematerialized securities.

BSE - INTERNAL

Securities and Securities Market

About BSE - BSE Limited, formerly known as the Bombay Stock Exchange Ltd., is located at Dalal Street, Mumbai and is one of the prominent Market Infrastructure Intermediaries of the Securities Market that offers nationwide trading in a plethora of capital market products. Established in 1875, it is Asia's oldest stock exchange, having completed 145 years of its glorious existence in June 2020. BSE is one of the world's fastest stock exchanges and presently offers various financial products on its trading platforms such as Equity, Equity Derivatives, Currency Derivatives, Commodity Derivatives, BSE Start-up, BSE-SME, BSE-Star MF, BSE EBIX(insurance), etc. for the investors in Securities market. BSE SENSEX which indicate the price movement in the shares of 30 scrips, is the considered as the important parameter of the economic barometer, worldwide.

Securities are financial instruments issued by companies, institutions, etc. and hold monetary value. Securities are broadly categorized into:

- **Equity Shares** or commonly called as shares, represent a share of ownership in a company. An investor who invests in shares of a company is called a shareholder, and is entitled to receive all corporate benefits, like dividends, out of the profits of the company. The investor is also entitled to receive the right to cast a vote about the decision-making process of the company at General meeting of the company.

- **Preference Shares**, more commonly referred to as preferred stock, are shares of a company's stock with dividends that are paid out to shareholders before common stock dividends are issued. If the company enters bankruptcy, preferred stockholders are entitled to be paid from company assets before common stockholders. As per SEBI guidelines, companies can allot shares on preferential basis to maximum 200 persons.

- **Debt Securities** represent money that is borrowed by the company / institution from an investor and must be repaid to the investor. Debt securities are also called as debentures or bonds. An investor who invests in debt securities is entitled to receive payment of interest and repayment of principal (i.e. the money invested). Debt Securities are issued for a fixed term, at the

BSE - INTERNAL

end of which the securities can be redeemed by the issuer of securities. Debt securities can be secured (backed by collateral) or unsecured.

- **Derivatives** are financial instruments whose value depends upon the value of another asset (referred to as 'underlying') such as shares, debt securities, currencies, and commodities. Exchange traded derivatives presently allowed are futures and options on shares, interest rates, commodities, and currencies.

- **Mutual Funds are** type of financial instruments made up of a pool of money collected from many investors. These funds/ mutual funds, then, invest in securities such as shares, bonds, money market instruments and other assets.

Securities Market is a place where companies can raise funds by issuing securities such as equity shares, debt securities, etc. to the investors (public) and also is a place where investors can buy or sell various securities (shares, bonds, etc.). Once the shares (or securities) are issued to the public, the company is required to list the shares (or securities) on the recognized stock exchanges. Securities Market is a part of the Capital Market.

The primary function of the securities market is capital raising, to enable allocation of savings from investors to those who need it. This is done when investors make investments in securities of companies / entities that need funds. The investors are entitled to get benefits like interest, dividend, capital appreciation, bonus, etc. Such investments contribute to the economic development of the country.

Securities market has broadly two interdependent and inseparable segments i.e. Primary Market and Secondary Market

BSE - INTERNAL

Primary Market:

This market is also called as the new issues market where company / institutions raise funds (capital) from public by issuing new securities (shares, debentures, bonds, etc.).

There are two major types of issuers of securities:

- **Corporate Entities (companies)** which mainly issue equity instruments (shares) and debt instruments (bonds, debentures, etc.)

- **Government** (Central as well as State) which issues debt securities (dated securities and treasury bills).

The types of issues made in Primary Market are:

- Public Issue: Securities are issued to all the people and anyone can subscribe to them. Public issue of equity shares can be categorized as follows:

- **Initial Public Offer (IPO)** where first public offer of shares is made by a company. An IPO can be in the following forms:

- Fresh Issue of shares where new shares are issued by the company to the public investors. In this kind of an issue, the funds of investors will go to the company to be used for the purpose for which the issue is made.

- Offer for Sale where existing shareholders such as promoters or financial institutions or any other person offer their holding to the public. In this kind of an issue, the funds of the investors will go to such sellers of the shares and not to the company. Basically, shares are exchanged between sellers and buyers and no fresh shares are issued by the company.

- **Follow on Public Offer (FPO):** It is made by an issuer/ company that has already made an IPO in the past and is making a fresh issue of securities to the public.

BSE - INTERNAL

- Preferential Issue: In this mode of issue, securities are issued to an identified set of investors like promoters, strategic investors, employees, etc.

- Rights Issue: When the Company gives its existing shareholders the right to subscribe to newly issued shares, in proportion to their existing shareholding, it is called as a rights issue.

- Right Entitlement: Right Entitlement represents the number of securities that a shareholder is entitled to in a Rights Issue. Right Entitlement is typically in proportion to the number of equity shares held by the eligible shareholder on the Record Date; This is disclosed to the Stock Exchanges and is provided on the LOF/ Application Form

- Bonus Issue: When the existing shareholders of a company are issued additional free shares, in proportion to their existing shareholding and without any additional cost, then it is called a bonus issue.

To raise funds from public, companies need to file an offer document with SEBI which is called prospectus. The prospectus contains details like;

- history of the company,
- details of the promoters,
- business model,
- financial history of the company,
- risks in that business,
- purpose for which the money is being raised,
- terms of issue and
- Such other information that will help an investor to make an informed decision on investment in that company.

BSE - INTERNAL

Listing

Initial Public Offer (IPO) - A process by which companies offer its shares to the public to raise capital and thereby gets listed for trading on stock exchanges. Offer price is decided by company along with the Merchant Bankers appointed by them. The minimum issue size shall be Rs. 10 crore. The minimum market capitalization of the Company shall be Rs 25 Cr (market capitalization is arrived by multiplying the post-issue paid-up number of equity shares with the price at which shares are allotted to investors in IPO).

Benefits of listing:

- Capital mobilization for company.
- Exit route to the existing investors.
- Ready marketability of Security.
- Ability to raise further capital.
- Supervision and Control of Trading in Securities.
- Fair Price discovery for the shares.
- Timely disclosure of corporate information for investors.
- Collateral Value for shares.
- Company comes under well-regulated SEBI mechanism.
- Accountability towards shareholders.

Equity shares issued pursuant to Initial Public Offer. IPO are listed on a recognized Stock Exchange within T + 6 (where T day stands for last day of the issue) working days from the date of the closure of the issue. Post listing of the shares on the Exchange, further trading of the shares takes place.

The shares allotted by the company are credited in the Demat account of the investor which is maintained with a Depository through a SEBI registered Depository Participant (DP). An investor can sell the shares on the stock exchanges through a SEBI registered Stockbroker and receive the money.

BSE - INTERNAL

Secondary Market:

Once the securities are issued in the primary market, they get listed on the Stock Exchanges and the investors can buy or sell these listed securities through those Stock Exchanges. Trading at Stock Exchanges falls into broadly two main segments - Cash Market and the Derivatives Market.

Basics of Investing

Before you start investing in securities market, you need to understand and identify your investment goals, objectives and risk appetite (the extent up to which you are willing to take risk). Every investment decision should reflect your needs and requirements and should be as per your desired preferences. For example, whether you are willing to invest in safe products which give steady returns or if you want to take slightly higher risk and invest in products which may give you higher returns. Every investment comes with the risk of change in the inherent value of that investment. For example, investment in shares of automobile industry will attract the risk attached with the automobile industry (sales may go up or down or one brand of cars may be sold more than another brand, etc.). Once you have decided your goals and identified your risk appetite, please decide the amount you want to invest and the time period over which you want to invest. The ability to take risk differs from investor to investor and could be dependent on the goals as well as the age of the investor.

Dematerialisation :

Investors can dematerialize their physical shares by sending the same to DP for dematerialization. DP has to either dematerialize the shares or send them back under objection, within 30 days from receipt of the demat request form from the investors. The shares which are dematerialized can be converted back into physical form, which is called Rematerialization. However, it may be noted that as per SEBI guidelines, physical shares are not allowed to be traded w.e.f. 01.04.2019. It means you can sell only those shares on Stock Exchanges which are converted into Demat form.

BSE - INTERNAL

Depositories: Depositories are institutions that hold securities of investors in dematerialized / electronic form and provide demat services to the investors through their Depository Participants (DP). There are two depositories in our country namely, National Securities Depository Limited (NSDL) and Central Securities Depository Services (India) Limited (CDSL). Under each Depository, there are registered Depository Participants (DPs) (like branches of banks), which provide various services to the investors like opening and maintaining of a Demat account, dematerialization of shares, etc. Depositories provides various facilities to the investors to check their Demat statement on Depository website.

Dividend: Dividend means distribution of certain portion of its profits by the Company to its shareholders. Dividend paid by the companies is taxable w.e.f. 01.04.2020 in the hands of shareholders. The issuer has to deduct TDS if the dividend amount exceeds Rs. 5000/- to any person during F.Y.

Record Date: This date is proposed by the Board of Directors of a listed company to determine the names of the shareholders who are eligible for any corporate benefits including dividend, that are announced by the company. All shareholders whose names appear in the list of shareholders at the end of day of the Record Date will be eligible to receive the corporate benefits.

Measures to protect interest of investors doing trades on Exchanges:

Surveillance measures

- Continuous monitoring of price movement in scrips
- Circuit filters – wherein a limit on maximum and minimum price movement of a scrip on a day is fixed by the Exchanges in coordination with each other.
- Position (risk) monitoring of members
- Stage wise Additional Surveillance Measures (ASM)
- Rumor verification

BSE - INTERNAL

Collateral Deposits from members

- Members to deposit collateral deposits before putting trades (called 'upfront' margins)
- Real time blocking of margins from collateral deposits of members
- Risk Reduction Mode applied on breaching 90% of deposits
- Facility to fix trading limits for every client separately by Trading Members
- T+2 trading cycle i.e. settlement of trades is done after 2 working days
- Auction mechanism to protect against default on the part of selling member to deliver shares.
- Trade Confirmation facility on BSEIndia website for 5 days.
- Counterparty guarantee by Clearing Corporations (CC) for settlement of every trade.
- Settlement Guarantee Fund (SGF) established at every CC for each Segment separately.
- Periodical monitoring of sufficiency of fund as per SEBI parameters.
- No settlement default has occurred at BSE in the past 18 years

Tax Provisions for investments in securities market:

Prior to 01.04.2019 all the gains made in securities market were exempted from income tax. However, w.e.f. 01.04.2019 the profit made on sale of securities is taxable as per following.

Short Term Capital Gain (STCG) - Any securities sold within 12 months of purchase of the same and profit made thereon is considered as STCG and is taxed @15% p.a.

Long Term Capital Gain (LTCG) – Any securities sold after 12 months of purchase and profit made thereon over and above Rs. 1 lakh, is considered as LTCG and is taxable @10% p.a.

BSE - INTERNAL

Securities Transaction Tax (STT) – This tax is collected by the Central Government on every transaction which takes place in securities market.

How to Trade

In order to invest in equity shares, an investor needs to open three accounts namely:

a) **Bank account**.

b) **Trading account or broking account** with a SEBI registered stock broker of a recognized Stock Exchange. This account is used to buy and sell securities on the Stock Exchanges. To open a trading account, you have to fill account opening form and submit the signed Know Your Client (KYC) documents.

c) Demat account provides the facility of holding of securities in dematerialized / electronic form. The demat account can be opened with depository participant (DP) of any of the Depositories. Nomination is a facility that enables an individual investor to nominate a person, who can claim the securities held by him/ her in their demat accounts or the redemption proceeds thereof (in respect of mutual fund units) in the event of death of the investor. It is recommended that all investors should utilize this nomination facility to safeguard their investments, in case of any unfortunate event

Know Your Client (KYC) Form: To provide basic information of the new investor. Presently KYV can be provided in two modes:

- Physical KYC
- E-KYC

Delivery Instruction Slip (DIS) Booklet:

It is like a cheque book for a demat account, issued by DP when you open a demat account. Used for transferring shares from one account to another by submitting duly filled hard copy of DIS to Branch of Stock broker and fulfilling all trade obligations.

BSE - INTERNAL

POWER OF ATTORNEY (POA)

Power of Attorney is a document with high importance as it is capable of giving your rights and access over your accounts and money to somebody else. In securities market, a client may execute the power of attorney (PoA) in favour of the stock broker/ stock broker and depository participant to authorize them to operate his demat and bank account to facilitate the delivery of shares and pay-in/ pay-out of funds. A specific Power of Attorney (PoA), as per the guidelines of SEBI, may be executed by the client in favour of the stock broker / depository participant.

3-in-1 account- PoA :

- Authorization to debit shares from Demat account
- Sell Trades : Authorization to debit shares from Demat account
- Buy Trade : Authorization to debit linked Bank account (when investor adds funds to his trading account i.e for payment of margin / payout of funds of purchase of shares)

A valid PoA must be 'franked' (i.e stamped). Hence, investor must send the hard copy of the filled PoA form to the Stock Broker. Alternatively, investor may give his consent a temporary PoA at time of login to his trading account which is valid only during that login session.

Alternative Mode:

- Transfer funds to Designated Account of Stock broker via Cheque / Online Fund transfer
- Place delivery sell instructions by using the **physical DIS slip / TPIN E-DIS (CDSL) / SPEED-e (NSDL)**

As per SEBI guidelines, it is not mandatory to sign and issue a power of attorney. Signing of Power of Attorney is purely optional and voluntary – if you find that signing power of attorney is useful for you, you may sign it. You can also revoke the Power of Attorney at any point of time.

Important Points about POA:

i. PoA is optional and should not be insisted upon by the stock broker / stock broker depository participant for opening of the client account.

BSE - INTERNAL

ii. For transfer of securities held in the beneficial owner accounts of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by clients on the Stock Exchange through the same stock broker.

iii. For pledging / re-pledging of securities in favour of trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the clients in connection with the trades executed by the clients on the Stock Exchange.

iv. For off-market transfer of securities by the Depositories will be only through execution of Physical Delivery Instruction Slip (DIS) duly signed by the client himself or by way of electronic DIS. The Depositories shall also put in place a system of obtaining client's consent through OTP.

Stock Brokers shall not use POA to ;

i. Transfer of securities for off market trades (physical DIS to be mandatorily used).

ii. Transfer of funds from the bank account(s) of the Clients for trades executed by the clients through another stock broker.

iii. Open a broking / trading facility with any stock broker or for opening a Beneficial Owner account with any Depository Participant.

iv. Execute trades in the name of the client(s) without the client(s) consent.

v. Prohibit issue of Delivery Instruction Slips (DIS) to beneficial owner (client).

vi. Prohibit client(s) from operating the account.

vii. Merging of balances (dues) under various accounts to nullify debit in any other account.

viii. Open an email ID/ email account on behalf of the client(s) for receiving statement of transactions, bills, contract notes etc. from stock broker / depository participant.

ix. Renounce liability for any loss or claim that may arise due to any blocking of funds that may be erroneously instructed by the stock broker to the design

BSE - INTERNAL

Margin money

The margin money is prescribed by exchanges / Clearing Corporations and collected from investors by brokers before executing a trade on their behalf. The margin money is collected to mitigate the risk of non- payment of funds or non-delivery of securities by an investor. Payment of margin money by clients to stock brokers and stock brokers to Stock Exchanges is a part of risk management measures implemented by SEBI through Stock Exchanges.

When an investor buys a stock, he has two options, i.e.

I. to pay the entire price of the stock upfront, called early pay in or
II. to pay only a certain percentage of the price of the stock and borrow money from the broker to finance the rest. The percentage of the price of the stock paid upfront is called margin. The payment of the remaining amount can be made by the designated payout time.

Similarly, when an investor desires to sell his stocks he has to option to either pay in the shares to be sold or can give a margin upfront. Margin can be provided in the form or cash or cash equivalent i.e. fixed deposits, bank guarantee, securities, units of mutual funds, government securities, and treasury bills in demat form.

Margin is provided in the form of securities also, in favour of the broker only in the form of pledge. A pledge is a deposit of some personal property as collateral for a debt. Stock Brokers can accept securities (viz shares) as collateral only in form of margin pledge created on the securities held in clients demat account. Investor (client) needs to give instruction to create margin pledge on securities. This instruction can be in physical form or electronically through “SPEED-e” (for NSDL) and “Easiest” (for CDSL).

Pledge & Re-Pledge of Shares -

SEBI vide its circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 regarding Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System

i. As per new guidelines, investors do not need to transfer their securities off market to their broker’s accounts for trading. Broker/ clearing member shall accept collateral from clients in the form of securities, only by way of margin pledge created in the Depository system.

BSE - INTERNAL

ii. For the purpose of providing collateral in form of securities as margin, a client shall pledge securities with their broker, and broker shall re-pledge the same with its clearing member, and clearing member in turn shall re-pledge the same to Clearing Corporation.

iii. Complete trail of pledge and re-pledge shall be reflected in the demat account of the investor.

iv. Client's securities re-pledged to the Clearing Corporation shall be available to give exposure limit to respective client only.

v. Client /Broker having Power of attorney will make margin pledge request to depositary participant (DP) and DP will sent OTP to Client for confirmation

vi. With effect from September 01, 2020, TM / CM shall accept collateral from clients in the form of securities, only by way of margin pledge created in the Depository system.

vii. Transfer of securities to the demat account of the TM / CM for margin purposes is prohibited.

viii. Providing a POA in favour of a TM / CM by client shall not be considered as equivalent to the collection of margin by the TM / CM in respect of securities held in the demat account of the client

BSE - INTERNAL

Trading days and Trading & Settlement Cycle

Trading on the Stock Exchanges takes place on all days of the week (except Saturdays, Sundays and holidays declared by the Stock Exchanges).

In case of purchase of shares, you are required to make payment to the bank account of your stock broker prior to the pay-in day for the relevant settlement (preferably immediately after receiving confirmation from the broker that your purchase order is successfully executed). Similarly, in case of sale of shares, you are required to deliver the shares to the demat account of broker prior to the pay-in day for the relevant settlement.

Settlement Process

- Trades done in the securities under various groups in the Equity Cash Segment would continue to be settled on a T+2 basis i.e. the settlement of transactions done on T day i.e., trade day takes place on second business day (excluding Saturdays, Sundays and bank holidays) after the trade day.
- Settlement of Funds & Securities will be at Clearing Member (CM) level as per the present timelines for settlement related activities.
- In case of Trading Member (TM)/CM scenario, the positions would be netted at Client/Trading Member/Clearing Member level for normal scrips (i.e. netting of buy and sell positions in the same scrip for the same settlement) as at present for settlement purposes.
- For scrips traded on Trade-to-Trade (T to T) basis, the delivery positions would be settled on a gross basis (no netting of buy and sell positions) as at present. For this, the position would be grossed at Client/Trading Member/Clearing Member level for T to T transactions. Settlement would be at Clearing Member (CM) level.
- The clearing members would settle all obligations including margins arising out of trades done by them as trading members and also of those trading members for whom they have undertaken to settle as clearing members

BSE - INTERNAL

Contract Note

- A Contract Note is an evidence of the trade done by the stock broker. It is a legal document which contains details of the transaction such as securities bought/ sold, traded price, time of trade, brokerage, etc. Contract Notes can be issued in physical form or in electronic form. In case you opt for an electronic contract note, a specific authorization needs to be given to the stock broker along with the details of your email id. Such electronic contract notes shall be digitally signed, encrypted and can't be tampered. Such contract notes should be preserved by the investor for future references. These have huge importance, especially if any dispute arises later. Contract note shall be issued by the stock broker within 24 hours of the execution of the trade. In case of any discrepancy in the contract note, investor should immediately take up the matter with the stock broker. Always cross check the records maintained by you, while placing orders in the market, with the details mentioned in the Contract Note. In case of any discrepancy, contact your broker immediately.

Record of client order:

Stock brokers are required to execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of: a. Physical record written and signed by client, b. Telephone recording, c. Email from authorized email id, d. Log for internet transactions, e. Record of messages through mobile phones, f. Any other legally verifiable record.

SMS and Email alerts to investors

Investors can opt for SMS and email alerts facility through which they shall receive free of cost, SMS and email alerts for any trading/ transaction activity that would happen in their trading and demat account. In order to avail this facility, investors should ensure that their mobile numbers and email ids are shared and regularly updated with their stock brokers and depository participants.

BSE - INTERNAL

Running Account Authorization

In normal course, settlement of a transaction (buy/sell) by a broker has to be done within 24 hours of **pay-out** of funds / securities. However, if you regularly trade in shares on the stock exchange, you may specifically authorize the stock broker to maintain a Running Account whereby your shares or funds, as the case may be, would be kept in a separate account with the stock broker. Running Account facilitates ease of carrying out transactions in securities whereby the shares or funds kept in the running account with the stock broker are adjusted towards the settlement obligations of the future transactions.

Statement of Account from Stockbroker and Depository Participants

You are entitled to receive reports such as monthly report, quarterly report, etc., free of cost, on a regular basis from brokers and depositories regarding the transactions done by you. Depositories and Stock Exchanges will inform you on your registered mobile number or email id regarding the transactions in your accounts. If you do not understand the message, clarify the matter with the Bank, Depository, Depository Participant, your Stock Exchange, broker, or call SEBI's toll-free helpline for guidance. Always keep your contact details updated with the intermediaries so that you receive alerts and account statements on a timely basis. In case you do not receive such a report, you must raise the matter with relevant entities.

Consolidated Account Statement (CAS)

Consolidated Account Statement (CAS) is a single/ combined account statement sent by the Depositories to all investors holding demat accounts, at least once every year, which shows the details of transactions made by an investor during a month across all Mutual Funds and also other securities held in the demat account(s). In order to get your CAS, you should update your PAN with your stockbroker/ depository participant.

Derivatives Market

Derivatives refers to the financial instruments which derive their value from an underlying security or financial instrument. The underlying products can be equity, commodity, currency, etc.

BSE - INTERNAL

Derivatives are primarily used for hedging position and minimizing the price risk. Hedging is basically a risk management strategy in which the investors invest in the instruments strategically to offset the risk of any adverse price movements.

The players in derivatives may be hedgers, speculators and arbitrageurs and different roles may be played in different situations.

Futures and Options, or commonly called as F&O segment, are an essential part of the derivatives segment of the securities market. Futures and options are two different types of derivatives.

A futures contract is a standardized exchange traded contract to buy or sell an underlying product at a predetermined price on a future date.

An options contract refers to the financial instrument which gives the buyer of the option the right but not the obligation to exercise the option at a pre-determined date and price. A call option gives one the right to buy the underlying security and a put option gives one the right to sell the underlying security. Investors are charged a premium when they buy an options contract.

Futures and Options are also available in selected currencies in Currency Derivatives Segment.

Lastly, since Stock Exchange became Universal Exchanges, they also offer Commodity Derivatives trading in selected and niche products.

BSE - INTERNAL

Mutual Funds

Unit Trust of India was the first mutual fund set up in India in the year 1963. In late 1980s, Government allowed public sector banks and institutions to set up mutual funds.

A mutual fund pools in money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. All mutual funds are required to be registered with SEBI before they launch any scheme.

BSE StAR MF platform - BSE launched its BSE StAR MF platform on December 4, 2009. BSE Ltd offers its platform to Mutual Fund Distributors (MFDs) to purchase and redeem mutual fund units on behalf of their clients.

For the aforesaid purpose, only a Mutual Fund Distributor registered with Association of Mutual Funds in India (AMFI) and who has been permitted by the concerned recognized stock exchange, shall be eligible to use recognized stock exchanges' infrastructure to purchase and redeem mutual fund units directly from Mutual Fund / Assets Management Companies.

Such MF Distributors shall not handle pay-out and pay in of funds as well as units on behalf of investors. The pay in will be directly received by Indian Clearing Corporation Ltd (ICCL), Clearing Corporation of BSE and pay-out will be directly made to investor's account. In the same manner, units shall be credited and debited directly from the demat account of the investors by the ICCL.

The platform is feature-rich and highly flexible - it has link-ups with both depositories CDSL and NSDL, facility for one-time registration of client to avoid extra key strokes for repeated buy/sell requests, detailed easy-to-use information on various schemes being offered through the platform and report management features.

BSE StAR MF is configured to accept both physical applications and those in Demat form. Brokers of BSE who are registered ARN (AMFI registration No.) holders are eligible to participate on this platform as Mutual fund Intermediaries (MFIs). MFIs who enter applications for investors who have chosen the Demat Option need not send any physical documents to the RTA and will retain the applications in their office along with all necessary annexures. However, where investors have opted for Physical Route, the

BSE - INTERNAL

MFIs would be required to send the physical applications along with annexures to the nearest offices of the RTA as per mutually agreed timelines.

Direct plan is what you buy directly from the mutual fund company (usually from their own website). Whereas a Regular plan is what you buy through an advisor, broker, or distributor (intermediary). In a regular plan, the mutual fund company pays a commission to the intermediary. In Direct Plans, no commission is paid by the mutual funds to any agents and hence the NAV in a Direct Plan will always be higher than the NAV in a Regular Plan.

Mutual funds can also be segregated in different categories based on the objectives of the mutual fund scheme. The schemes are designed to keep in mind the needs of various types of investors, risk averse investors (basically a conservative Investor who does not want to take high risk), moderate investors (investors who can take some amount of risk) and aggressive investors (investors who are willing to take higher risk in search of higher returns). The performance of a particular scheme of a mutual fund is denoted by Net Asset Value (NAV).

Categorization of mutual funds: Mutual funds are now broadly categorized into five schemes mentioned as below: **What are the different types of mutual fund schemes?**

Schemes according to Maturity Period:

A mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

Open-ended Fund/Scheme

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) per unit which is declared daily. The key feature of open-end schemes is liquidity.

Close-ended Fund/Scheme

A close-ended fund or scheme has a stipulated maturity period e.g. 3-5 years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the new fund offer and

BSE - INTERNAL

thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. There is no change in no. of units and fund value in the Close-ended Schemes since the no. of units remains same and only the unit holders are changed.

Schemes according to Investment Objective:

A scheme can also be classified as growth scheme, income scheme or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemes as described. Such schemes may be classified mainly as follows:

Growth/Equity Oriented Scheme

The aim of growth funds is to provide capital appreciation over the medium to long-term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, growth, etc. and the investors may choose an option depending on their preferences. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period.

Income/Debt Oriented Scheme

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about these fluctuations.

Balanced/Hybrid Scheme

The aim of balanced schemes is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60% in equity and debt instruments. These funds are

BSE - INTERNAL

also affected because of fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds.

Money Market or Liquid Schemes

These schemes are also income schemes and their aim is to provide easy liquidity, preservation of capital and moderate income.

These schemes invest exclusively in short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc. Returns on these schemes fluctuate much less compared with other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.

Gilt Funds

These funds invest exclusively in government securities. Government securities have no default risk. NAVs of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

Index Funds

Index Funds replicate the portfolio of a particular index such as the BSE Sensitive index (Sensex, NSE 50 index (Nifty), etc. These schemes invest in the securities in the same weightage comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme.

Tax provisions for investments in Mutual Funds:

a. Equity Funds

Both tax-saver and regular equity funds are considered the same for taxation. LTCG tax is applicable on equity funds at the rate of 10% if the capital gains exceed Rs 1 lakh a year, and there is no benefit of indexation. However, ELSS funds differ from the regular funds when it comes to the lock-in period. While most regular equity funds do not have a lock-in period, ELSS funds come with a lock-in period of three years. Meaning, the redemption of ELSS mutual funds can be made only at the end of the lock-in period.

BSE - INTERNAL

***Note: The limit of 1 lakh is cumulative of capital gains on all equity instruments such as stocks and equity mutual funds*.**

b. Debt Funds

Long-term capital gains on debt fund are taxable at the rate of 20% after indexation. Indexation is a method of factoring inflation from the time of purchase to sale of units. Indexation allows inflating the purchase price of debt funds to bring down the quantum of capital gains. You are required to add short-term gains from debt funds to your overall income. They are subject to short-term capital gains tax (SCGT) and is taxable as per the income tax slab you fall under.

c. Balanced Funds

Balanced funds are taxable depending on their equity exposure. Hybrid equity-oriented funds are taxed as any other equity fund while hybrid debt-oriented funds are taxed as any other debt fund.

What are the tax implications of dividends on Mutual funds?

Dividends obtained from a mutual fund was tax-free for investors until 31 March 2020 (FY 2019-20). That was because the company declaring such dividend already paid dividend distribution tax (DDT) before making payment. However, the Finance Act, 2020 changed the method of dividend taxation. Henceforth, all dividend received on or after 1 April 2020 is taxable in the hands of the investor. The DDT liability on mutual funds stands withdrawn.

What are Tax Saving Schemes?

These schemes offer tax rebates to the investors under specific provisions of the Income Tax Act, 1961 as the Government offers tax incentives for investment in specified avenues, for example, Equity Linked Savings Schemes (ELSS) under section 80C and Rajiv Gandhi Equity Saving Scheme (RGESS) under section 80CCG of the Income Tax Act, 1961. Pension schemes launched by mutual funds also offer tax benefits. These schemes are growth oriented and invest pre-dominantly in equities. Their growth opportunities and risks associated are like any equity-oriented scheme.

What is a Fund of Funds (FoF) scheme?

A scheme that invests primarily in other schemes of the same mutual fund or other mutual funds is known as a FoF scheme. A FoF scheme enables the investors to achieve greater diversification through one scheme. It spreads risks across a greater universe.

BSE - INTERNAL

What are Exchange Traded Funds (ETFs)?

ETFs are mutual fund units that investors can buy or sell at the stock exchange. This is in contrast to a normal mutual fund unit that an investor buys or sells from the AMC (directly or through a distributor). In the ETF structure, the AMC does not deal directly with investors or distributors. Units are issued to a few designated large participants called Authorised Participants (APs). The APs provide buy and sell quotes for the ETFs on the stock exchange, which enable investors to buy and sell the ETFs at any given point of time when the stock markets are open for trading. ETFs therefore trade like stocks and experience price changes throughout the day as they are bought and sold. Buying and selling ETFs requires the investor to have demat and trading accounts.

What is a capital protection-oriented scheme?

A capital protection-oriented scheme is typically a hybrid scheme that invests significantly in fixed-income securities and part of it in equities.

Can non-resident Indians (NRIs) invest in mutual funds?

Yes, non-resident Indians can also invest in mutual funds. Necessary details in this respect are given in the offer documents of the schemes.

How much should one invest in debt or equity-oriented schemes?

An investor should take into account his risk-taking capacity, age factor, financial position, etc. As already mentioned, the schemes invest in different type of securities as disclosed in the offer documents and offer different returns and risks. These are close-ended schemes that come in tenors of fixed maturity e.g. three to five years.

Product labelling of mutual funds: As per SEBI guidelines, mutual fund schemes are to be labelled according to the level of risk involved and the same is to be depicted on the risk-o-meter. The risk-o-meter with different labels of risk is depicted as below:

a) Low: Principal at low risk
b) Moderately low: Principal at moderately low risk
c) Moderate: Principal at moderate risk
d) Moderately High: Principal at moderately high risk
e) High: Principal at high risk
f) Very High: Principal at very high risk

BSE - INTERNAL

Investors should not be carried away by commission/gifts given by agents/distributors for investing in a particular scheme. On the other hand they must consider the track record of the mutual fund and should take objective and informed decisions.

Exchange Traded Funds (ETF) - Unlike regular mutual funds, ETFs trade like a common stock on the stock exchange and the price of an ETF changes as per the trading in the market takes place. The trading value of an ETF depends on the net asset value of the underlying stock that it represents. ETFs, generally, have higher daily liquidity and lower fees than mutual fund schemes.

Demat of Mutual Fund units

Investors have an option to mention demat account details in the subscription form, in case they desire to hold units in demat form while subscribing to any scheme (open ended/close ended/Interval). Existing investors desirous of converting their existing physical units (represented by statement of account) into dematerialized form, can also do so.

Dispatch of Statement of Accounts

Mutual Funds/AMCs are advised to invariably provide Dispatch of Statement of Accounts. AMCs shall allot the units to the applicant whose application has been accepted and also send confirmation specifying the number of units allotted to the applicant by way of email and/or SMS's to the applicant's registered email address and/or mobile number as soon as possible but not later than five working days from the date of closure of the initial subscription list and/or from the date of receipt of the request from the unitholders.

Consolidated Account Statement

AMCs are mandated to issue consolidated account statement for each calendar month to the investors in whose folios transaction(s) has/have taken place during that month. If no transactions are there during the year, then they are required to send the CAS at least once a year.

Change of Mutual Fund Distributor -In case an investor wishes to change his distributor or wishes to go direct, Mutual Funds/AMC's shall ensure compliance with the instruction of the investor informing his desire to change his distributor and / or go direct, without compelling that investor to obtain a 'No Objection Certificate' from the existing distributor

BSE - INTERNAL

Grievance/claims settlement Mechanisms for investors: SEBI SCORES:

In case of any complaint related to the securities market, you may first approach the concerned intermediary or company. The concerned intermediary or company shall facilitate your complaint redressal. In case the grievance remains unresolved, you may approach the concerned Stock Exchange or Depository against your stock broker or listed company.

If you are still not satisfied with the redressal, you may lodge a complaint with SEBI through a web based centralized grievance redressal called SCORES (SEBI Complaints Redress System).

- Complaints can be filed against entities like:

    - Listed companies; Stock Brokers; Stock Exchanges; Depository / Depository Participants; Registrars to an Issue / Share Transfer Agent; Mutual Funds / Portfolio Managers; Bankers to an Issue; Collective Investment Schemes; Credit Rating Agencies; Custodians of Securities; Debenture Trustees; Merchant Bankers / Underwriters.

- www.scores.gov.in : **S**EBI **CO**mplaints **R**edressal **S**ystem (SCORES) launched on 08.06.2011.
- Investor friendly, Centralized Web based complaints redress system.
- Online filing of complaints and status can be viewed online.
- SCORES Mobile App: available on both iOS and Android platforms.

Investor Services Cell of Stock Exchange

Investor Services Cells cater to the needs of investors by resolving the queries of investors, resolution of investor complaints and by providing the Arbitration mechanism for quasi-judicial settlement of disputes.

The Stock Exchanges facilitate the redressal of the grievances of the investors through Investor Grievance Resolution Panel and Investor Grievance Redressal Committee (IGRC). To facilitate the convenience to the investors in redressing their grievances, these Exchanges have their Investor Service Centers at the various regions spread across the country. The detailed lists of these centers are available on the websites of the Exchanges.

BSE - INTERNAL

Arbitration Mechanism

Arbitration refers to a quasi-judicial process of settlement of disputes between Stock Broker and investor. When one of the parties feels that the complaint has not been resolved satisfactorily either by the other party or through the complaint resolution process of the Exchange, the parties may choose the route of arbitration process available with Stock Exchange.

- Arbitration is the mechanism to settle disputes between parties to a contract, determined in a quasi-judicial manner.
- Arbitration framework at the Exchange is governed by Rules, Byelaws, Regulations & Circulars issued by the Exchange and SEBI, from time to time.
- The limitation period for filing an arbitration application shall be governed by the law of limitation i.e. The Limitation Act, 1963.

Implementation of Award

i. In case the arbitral / appellate arbitral award is in favour of the client, the Exchange shall debit the amount of the award from the security deposit or any other monies of the member and keep it in a separate escrow account.

ii. The Stock Exchange shall implement the arbitral award, by making payment to the client, along with interest earned on the amount that has been set aside as soon as the time for preferring an appeal before the appellate panel of arbitrators has expired and no appeal has been preferred.

iii. The Exchange shall implement the appellate arbitral award, by making payment to the client, along with interest earned on the amount that has been set aside, as soon as

- the time for making an application to a Court to set aside such appellate arbitral award has expired, and no application has been made, or
- when an application to the Court to set aside such appellate arbitral award, having been made, it has been refused by such Court, or
- an application to a Court to set aside such appellate arbitral award, having been made, but where no stay has been granted by such Court within a period of three months from the date on which the party making that application had received the appellate arbitral award.

BSE - INTERNAL

Information about Unclaimed Shares/ Unpaid Dividend Amount - IEPF

Investor Education and Protection Fund (IEPF) has been established under Section 125 of Companies Act, 2013 and for promotion of investors' awareness and protection of the interests of investors.

All dividends and Shares which remain unpaid or unclaimed for seven consecutive years, are transferred by respective companies to Investor Education and Protection Fund Authority (IEPF). Investor or his representatives need to submit their claim to IEPF Authority to receive unpaid dividend and/or unclaimed shares.

Investor Protection Fund (IPF) of BSE

BSE has set up an Investor Protection Fund (IPF) on July 10, 1986 to meet the claims of investors against defaulter Members, in accordance with the Guidelines issued by the Ministry of Finance, Government of India. BSE Investor Protection Fund is responsible for creating Capital markets related awareness among the investor community in India.

Objectives of the Investors' Protection Fund (IPF)

It is a Public Trust for the protection and benefit of the members of public who invest and deal in securities through members of BSE. Compensating these members of public in respect of their claims against Defaulter members of BSE.

1. To aid, assist subsidize, support promote and foster :
   a. Research activities of the Fund, other associations, institutions and foundations engaged in research activities in the field of basic, natural and/or applied science for extension of knowledge generally and in particular pertaining to industry, commerce, trade, finance, economic, statistics, social science and sociology for the benefit of investors.
   b. Preparation and publication of statistical and other information, directories, studies, brochures, pamphlets, and other literature on all or any of the subjects aforesaid.
   c. Facilities and arrangements including machinery and equipment necessary for carrying on the aforesaid activity.

2. To do all such activities for advancement of the objects of the Trust for promoting investor education, awareness, and research.

BSE - INTERNAL

Following are the important investor related regulatory changes/reforms made by SEBI in the last 2 years.

- **Introduction of "Flexi Cap Fund" as a new category under Equity Schemes.**

To give more flexibility to the mutual funds, SEBI vide its circular dated November 6, 2020 has introduced a new category named "Flexi Cap Fund" under Equity Schemes which will be available with the following scheme characteristics.

Category of Scheme	Scheme Characteristics	Type of scheme (uniform description of scheme)
Flexi Cap Fund	Minimum investment in equity & equity related instruments - 65% of total assets	An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

The AMC shall ensure that a suitable benchmark is adopted for the Flexi Cap Fund. For easy identification by investors and in order to bring uniformity in names of schemes for a category across Mutual Funds, the scheme name shall be the same as the scheme category.

Mutual Funds have the option to convert an existing scheme into a Flexi Cap Fund subject to compliance with the requirement for change in fundamental attributes of the scheme in terms of Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996.

Scheme under the aforesaid mentioned new category can be launched with effect from November 6, 2020.

- **Reduced timelines for refund of money in case of non-subscription of IPO or rejection of trading permission by Stock Exchanges.**

SEBI vide Circular No. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, decided that upon non/partial allotment of shares in the IPO process to the investors, unblocking of funds in their accounts will happen on T+4 basis. This is

BSE - INTERNAL

the most beneficial change for investors who can deploy their funds in other opportunities.

- **Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes.**

In the interest of investors SEBI has recently taken steps to standardize the scheme categories and characteristics of each category, the management of risk return profile of the schemes rests with the AMCs and the Key Employees.

In order to align the interest of the Key Employees of the AMCs with the unitholders of the mutual fund schemes, SEBI vide its circular dated April 28, 2021 has decided that a part of compensation of the Key Employees of the AMCs shall be paid in the form of units of the scheme(s), as under:

i. A minimum of 20% of the salary/ perks/ bonus/ non-cash compensation (gross annual CTC) net of income tax and any statutory contributions (i.e. PF and NPS) of the Key Employees of the AMCs shall be paid in the form of units of Mutual Fund schemes in which they have a role/ oversight.

ii. The compensation paid in the form of units, as mentioned above, shall be proportionate to the AUM of the schemes in which the Key Employee has a role/oversight. For this purpose, Exchange Traded Funds (ETFs), Index Funds, Overnight Funds and existing close ended schemes shall be excluded.

iii. No redemptions of the said units shall be allowed during the lock-in period.

v. However, in case of retirement on attaining the superannuation age, such units shall be released from the lock-in and the Key Employee shall be free to redeem the units, except for the units in close ended schemes where the units shall remain locked in till the tenure of the scheme is over.

Clawback:
Units allotted to the Key Employees shall be subject to clawback in the event of violation of Code of Conduct, fraud, gross negligence by them, as determined by SEBI. Upon clawback, the units shall be redeemed and amount shall be credited to the scheme

BSE - INTERNAL

The aforesaid measures are applicable from July 1, 2021 and will ensure more accountability on the part of key employees of the fund houses which may finally result into benefits for the general investors.

- **Nomination for Eligible Trading and Demat Accounts**

SEBI vide its circular dated July 23, 2021 has decided that Investors opening new trading and or demat account(s) on or after October 01, 2021, shall have the choice of providing nomination or opting out nomination.

- **Introduction of T+1 Rolling settlement on an optional basis.**

SEBI has in the interests of investors decided to provide flexibility to Stock Exchanges to offer either T+1 or T+2 settlement cycle as under.

1. A Stock Exchange may choose to offer T+1 settlement cycle on any of the scrips, after giving an advance notice of at least one month, regarding change in the settlement cycle, to all stakeholders, including the public at large, and disseminating the same on its website.

2. After opting for T+1 settlement cycle for a scrip, the Stock Exchange shall have to mandatorily continue with the same for a minimum period of 6 months. Thereafter, in case, the Stock Exchange intends to switch back to T+2 settlement cycle, it shall do so by giving 1 month advance notice to the market.

3. Any subsequent switch (from T+1 to T+2 or vice versa) shall be subject to minimum period and notice period as mentioned above.

4. There will not be netting between T+1 and T+2 settlements.

5. The settlement option for security shall be applicable to all types of transactions in the security on that Stock Exchange. For example, if a security is placed under T+1 settlement on a Stock Exchange, the regular market deals as well as block deals will follow the T+1 settlement cycle on that Stock Exchange.

6. These provisions will come into force with effect from **January 01, 2022.**

BSE - INTERNAL

- **<u>Investor Charter for investors – both for Primary & Secondary Market Issuances</u>**

  With a view to provide investors an idea about the various activities pertaining to primary market issuances as well as exit options like Takeovers, Buybacks or Delisting, SEBI has now issued a detailed Investor Charter vide their circular No. SEBI/HO/CFD/DCR2/P/CIR/2021/0661 dated November 23, 2021.

  This charter is a document in an easy-to-understand language and contains different services to the investors at one single place for ease of reference. All the registered Merchant Bankers / RTAs have been advised to disclose the Charter in respect of the following categories on their website.

  1. Initial Public Offer (IPO) and Further Public Offer (FPO)including Offer for Sale (OFS)
  2. Rights Issue
  3. Qualified Institutions Placement (QIP)
  4. Preferential Issue
  5. SME IPO and FPO including OFS
  6. Buyback of Securities
  7. Delisting of Equity Shares
  8. Substantial Acquisitions of Shares and Takeovers.

- **<u>Investor Charters for Stock brokers, Mutual Funds and Investment Advisors.</u>**

  While dealing with the Stock Brokers, the investors come across various activities such as opening of account, KYC and in person verification, complaint resolution, issuance of contract notes and various statements, process for dematerialization / rematerialization etc.. In order to spread awareness amongst the investors, SEBI vide its circular no. SEBI/HO/MIRSD/DOP/P/CIR/2021 dated December 2, 2021, has issued an Investor Charter for Stock Brokers inter-alia detailing the various services provided to Investors, Rights of Investors, various activities of Stock Brokers with timelines, Dos and Don'ts for Investors and Grievance Redressal Mechanism. The detailed charter is available as Annexure A to the aforesaid SEBI circular.

  SEBI has also issued another circular no. SEBI/HO/IMD-II/IMD-II_DOF10/P/CIR/2021/00677 dated December 10, 2021 whereby similar Investor Charter has been issued for Mutual Funds, which is available as Annexure B to the circular.

BSE - INTERNAL

Further, SEBI has also issued a circular no. SEBI/HO/IMD/IMD-II CIS/P/CIR/202 dated December 13, 2021 whereby similar Investor Charter has been issued for Investment Advisors, available at Annexure A to the said circular.

- **Issuance of Securities in dematerialized form in case of Investor Service Requests**

As an on-going measure to enhance ease of dealing in securities markets by investors, SEBI has decided that listed companies shall henceforth issue the securities in dematerialized form only, after processing the following service requests.

i. Issue of duplicate securities certificate.
ii. Claim from Unclaimed Suspense Account.
iii. Renewal / Exchange of securities certificate.
iv. Endorsement
iv. Sub-division / Splitting of securities certificate.
v. Consolidation of securities certificates/folios.
vi. Transmission
vii. Transposition

- **Execution of 'Demat Debit and Pledge Instruction' (DDPI) for 1) transfer of securities towards deliveries / settlement obligations and 2) pledging / re-pledging of securities**

SEBI vide its circular dated April 4, 2022 has stated that the two conditions as specified above shall be made part of a separate document viz. **'Demat Debit and Pledge Instruction'(DDPI),** in the format attached with the circular under which ;

1) The clients shall explicitly agree to authorize the stock broker/stock broker and depository participant to access their BO account for the limited purpose of meeting pay-in obligations for settlement of trades executed by them.

2) It is further stated that the DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the two purposes as mentioned in paragraph.

3) The client may use the DDPI or opt to complete the settlement by issuing physical Delivery Instruction Slip (DIS) or electronic Delivery Instruction Slip (eDIS) themselves.

BSE - INTERNAL

Hence, with the implementation of this circular, PoA shall no longer be executed for the conditions specified above. The DDPI shall be provided to clients as part of the Voluntary Documents and shall be executed only if the client provides his/her explicit consent for the same, including internet-based trading. The existing PoAs shall continue to remain valid till the time client revokes the same.

Thus, the stock broker/stock broker and depository participant shall not directly / indirectly compel the clients to execute the DDPI or deny services to the client if the client refuses to execute the DDPI.

➢ **Standard Operating Procedures (SOP) for dispute resolution available under the stock exchange arbitration mechanism for disputes between a listed company and its shareholder(s)/ investor(s)**

Regulation 40 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and bye-laws, listing agreement & regulations of the stock exchanges provide for dispute resolution under the stock exchange arbitration mechanism for disputes between a listed company and its shareholder(s)/ investor(s).

In this regard, SEBI vide its circular dated April 8, 2022 has advised all the stock exchanges to put in place by June 01, 2022, Standard Operating Procedures (SOP) for operationalizing the resolution of all disputes pertaining to or emanating from investor services such as transfer/transmission of shares, demat/remat, issue of duplicate shares, transposition of holders, etc. and investor entitlements like corporate benefits, dividend, bonus shares, rights entitlements, credit of securities in public issue, interest /coupon payments on securities, etc.

Further, in respect of disputes in above matters where Registrar and Share Transfer Agents (RTA) are offering services to shareholder(s)/ investor(s) on behalf of listed companies, the RTAs shall continue to be subjected to the stock exchange arbitration mechanism.

➢ **Processing of ASBA applications in Public Issue of Equity Shares and Convertibles.**

SEBI has now reviewed the processing of Applications Supported by Blocked Amounts (ASBA) applications in the Public Issues by market intermediaries and Self Certified Syndicate Banks (SCSBs). As a part of continuing efforts to further streamline the bidding process, SEBI vide its circular dated May 30, 2022 decided that ASBA applications in Public Issues shall be processed only after the application monies are blocked in the investor's bank accounts.

BSE - INTERNAL

Accordingly, Stock Exchanges will accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies being blocked. The circular shall be applicable w.e.f. September 1, 2022 for all categories of investors viz. Retail, QIB, NII and other reserved categories and also for all modes through which the applications are processed.

- **Investor Grievance Redressal Mechanism**

In order to further strengthen the Investor Grievance Redressal Mechanism, SEBI vide its circular dated June 3, 2022 has decided that for any dispute between the member and the client relating to or arising out of the transactions in Stock Exchange, which is of civil nature, the complainant/ member shall first refer the complaint to the IGRC and/ or to arbitration mechanism provided by the Stock Exchange before resorting to other remedies available under any other law.

A complainant/member, who is not satisfied with the recommendation of the IGRC shall avail the arbitration mechanism of the Stock Exchange for settlement of complaints **within three months** from the date of IGRC recommendation. The time period of three months mentioned in the previous sub-clause for filing arbitration shall be applicable **only for the cases where the IGRC recommendation** is being challenged. For any arbitration application received without going through IGRC mechanism, the above time period of three months shall not apply, and for such cases the limitation period for filing arbitration shall be governed by the law of limitation, i.e., The Limitation Act, 1963."

BSE - INTERNAL

Do's and Don'ts which investors need to observe while dealing in securities market are given below. Investors are required to take utmost precautions by followings these guidelines very strictly.

Do's:

- You may consult with a SEBI registered Investment Adviser for your investment needs in securities market
- Invest in a scheme/product depending upon your investment objective and risk appetite.
- Insist on a valid contract note/ confirmation memo for trades done within 24 hours of the transaction. Keep track of your portfolio in your demat account on a regular basis.
- Read all the documents carefully before signing them.
- You should carefully note all the charges/ fees/ brokerage that are applicable on your accounts and keep a record of the same.
- Keep a record of documents signed, account statements, contract notes received and payments made.
- Periodically review your financial needs / goals and review the portfolio to ensure that the same are possible to achieve.
- Always pay for your transactions using banking channel, i.e. no dealing in cash.
- Always keep your information updated. Inform your stock broker / depository participant whenever there is change in your address or bank details or email ID or mobile number. Since SIM cards now have the feature of getting ported to different service providers, investors may keep single mobile numbers attached with their respective accounts. (Mobile number is the key to all important transactions.)
- Avail nomination facility for all your investments. Multiple nominations are allowed in demat account.
- Get your running accounts settled periodically (once in 30 / 90 days, as opted by you).
- Regular checking of daily SMS and email from Exchange regarding trades done on that day.
- Regular checking of Monthly SMS and email from Exchange regarding funds and securities balances of the investors maintained with the Trading Member.

BSE - INTERNAL

- Do use the facility of e-voting made available to you as shareholder of the company through depository mechanism to participate in important decision making of the company.

Don’ts:

- Don’t borrow money for investment.
- Don't deal with unregistered brokers / other unregistered intermediaries.
- Don’t pay more than the agreed brokerage/charges to the intermediary.
- Don't execute any document with any intermediary without fully understanding its terms and conditions.
- Don’t sign any blank form or Delivery Instruction Slips.
- Don’t issue general power of attorney (PoA) in favour of the Stock Broker/ Depository Participant. Exercise due diligence by issuing a very specific one, if you want to issue a PoA.
- In case of disputes, file written complaint to intermediary/ Stock Exchange/SEBI within a reasonable time.
- Dabba Trading is illegal. Even if it appears that you are saving on costs, do not indulge in Dabba Trading as it offers no benefits of safe and guaranteed trades done on Stock Exchanges.
- Do not rely on making your investment decisions on hot tips as a person who wants to offload securities which may not be marketable may be indulging in it. Disseminating hot tips is also an illegal activity which should be reported to SEBI.
- Never share your password for online account with anyone. Do change the passwords frequently.
- Don’t fall prey to Ponzi schemes, unregistered chit funds, unregistered collective investment, or unregistered deposit schemes.
- Don't forget to strike off blank spaces in your KYC documents.
- Don't opt for digital contracts if you're not familiar with computers. You can ask for physical contract notes from your broker.
- Don’t use the unregulated apps offering Algo Trading. You may face heavy financial losses.

BSE - INTERNAL

Every investor dealing in Securities Market have some Rights and Obligations of Investors on their part, which are enumerated below.

Rights of Investors

- Get Unique Client Code (UCC) allotted from broker.
- Get a copy of KYC and other documents executed from intermediary.
- Get trades executed in only your UCC.
- Place order on meeting the norms agreed to with the Member.
- Get best price.
- Get the contract note for trades executed.
- Ask the details of charges levied.
- Receive funds and securities on time.
- Receive statement of accounts from trading member.
- Ask for settlement of accounts.
- Get statements as per agreed schedule.

Obligations of Investors

- Execute Know Your Client (KYC) documents and provide supporting documents.
- Understand the voluntary conditions being agreed with the trading member.
- Understand the rights given to the Trading Members.
- Read Risk Disclosure Document.
- Understand the product and operational framework and deadlines.
- Pay margins in time.
- Pay funds and securities for settlement in time.
- Verify details of trades.
- Verify bank account and DP account for funds and securities movement.
- Review contract notes and statement of account.

BSE - INTERNAL

INVESTORS' PROTECTION FUND

Following are full forms of some important abbreviations regularly used in the Securities market parlance.

S.No	Abbreviation	Full Form
1.	AMC	Annual Maintenance Charges **- ALSO** Asset Management Company
2.	ASBA	Application Supported by Blocked Amount
3.	BSDA	Basic Services Demat Account
4.	CAS	Consolidated Account Statement
5.	CDSL	Central Depository Services (India) Limited
6.	Demat	Dematerialized
7.	DP	Depository Participant
8.	IA	Investment Advisers
9.	IGRC	Investor Grievance Redressal Committee
10.	IGRP	Investor Grievance Resolution Panel
11.	IPO	Initial Public Offering
12.	KIN	KYC Identification Number
13.	KYC	Know Your Client
14.	MII	Market Infrastructure Intermediaries
15.	MSE	Metropolitan Stock Exchange of India Limited
16.	NSDL	National Securities Depository Limited
17.	NSE	National Stock Exchange of India Limited
18.	PAN	Permanent Account Number
19.	PoA	Power of Attorney
20.	SCORES	SEBI Complaints Redress System
21.	SEBI	Securities and Exchange Board of India
22.	SMS	Short Message Service
23.	UCC	Unique Client Code
24.	UID	Unique Identification

INVEST RIGHT TOH FUTURE BRIGHT !!!

****

BSE - INTERNAL