Booklet on

SECURITIES MARKET

UNDERSTANDING FROM INVESTOR'S PERSPECTIVE

भारतीय प्रतिभूति और विनिमय बोर्ड

Securities and Exchange Board of India

BSE INVESTORS' PROTECTION FUND

NSE IPFT

MSE METROPOLITAN STOCK EXCHANGE Investor Protection Fund Trust

NSDL Technology, Trust & Reach IPFT

CDSL

Disclaimer:

Prepared Jointly by :

- Securities and Exchange Board of India
- BSE Ltd.
- National Securities Depository Limited
- National Stock Exchange of India Ltd.,
- Central Depository Services (India) Limited
- Metropolitan Stock Exchange of India Limited

Printed by :
SEBI
Date: 23rd Nov, 2020

Note for Reader:

This booklet is aimed at providing you in brief, basic information about the securities market. In case of further queries, you may visit online material at websites of SEBI, BSE, NSE, MSEI, NSDL and CDSL.

All efforts have been made to ensure correctness of the contents of this booklet. In case of any mistake, error or discrepancy, the same may please be informed to visitsebi@sebi.gov.in .

Index		Page No.
Introduction to Securities Market		
1	Regulatory Framework for Securities Market	02
2	What are Securities and Securities Market?	03
3	Primary Market and Secondary Market	05
4	Who are the Market Infrastructure Institutions and Market Intermediaries in the Securities Market?	07
Basics of Investing		
5	Key Risks in Investing in Securities Market	09
6	How to Mitigate the Risk?	10
Account Opening Process		
7	Pre-requisites for Investing in Securities Market	10
8	Procedure for opening an account: Know Your Client (KYC) Process	11
9	Basic Services Demat Account (BSDA)	12
10	Power of Attorney	13
11	Nomination	14
How do I Invest in Securities Market?		
12	Investment through Primary Market	14
13	Process of investing in Primary Market	15
14	Application Supported by Blocked Amount (ASBA)	16
15	Investment through Secondary Market	16
16	Trading Days and Trading & Settlement of trades	17
17	Contract Note	18
18	SMS and Email alert to Investors	19
19	Running Account Authorization	20
20	Trade Verification	20
21	What is Margin Money?	21
22	Statement of Account from Stock Broker and Depository Participants	21
23	Consolidated Account Statement (CAS)	22
24	Derivatives Market	22
Mutual Funds and ETFs		
25	Mutual Funds	23
26	How to invest in Mutual Funds?	24
27	Product labelling in Mutual Funds	24
28	Exchange Traded Funds (ETFs)	25
Grievance Redressal in Securities Market		
29	SEBI Complaints Redress System (SCORES)	25
30	Investor Services Cell of Stock Exchange and Depository	26
31	Arbitration Mechanism	27

Information about Unclaimed Shares/ Unpaid Dividend Amount – IEPF			27
ANNEXURE			
32	Annexure – I	Do's and Don't's of Investing/ trading in securities market	28
33	Annexure – II	Rights and Obligations of Investors	30
34	Annexure – III	Caution against Unregistered Investment Advisers	31
35	Annexure – IV	Unified Payment Interface (UPI) in ASBA	34
36	Annexure – V	Glossary	35

Issued by

Greetings and Namaste...

Are you an investor who wants to invest in the shares of a company and in Mutual Funds in the securities market?

If so, you may like to understand the basics of investing in the securities market.

This booklet does not serve as a guide for any specific investment, but it gives basic information about the securities market. This booklet is not regarding investments in entities under the framework of other Regulators such as Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA), Ministry of Corporate Affairs (MCA), etc.

1

Regulatory Framework for Securities Markets

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

SEBI was established on April 12, 1992 in accordance with the provisions of the SEBI Act. 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.

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

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

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

D) The Depositories Act, 1996, which provides for electronic maintenance and transfer of ownership of dematerialized (demat) shares.

2

What are Securities and Securities Market?

A. 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 with regard to the decision making process of the company at General meeting of the company.

B. 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/coupons and repayment of principal (i.e. the money invested). Debt Securities are issued for a fixed term, at the end of which the securities can be redeemed by the issuer of securities. Debt securities can be secured (backed by collateral) or unsecured.

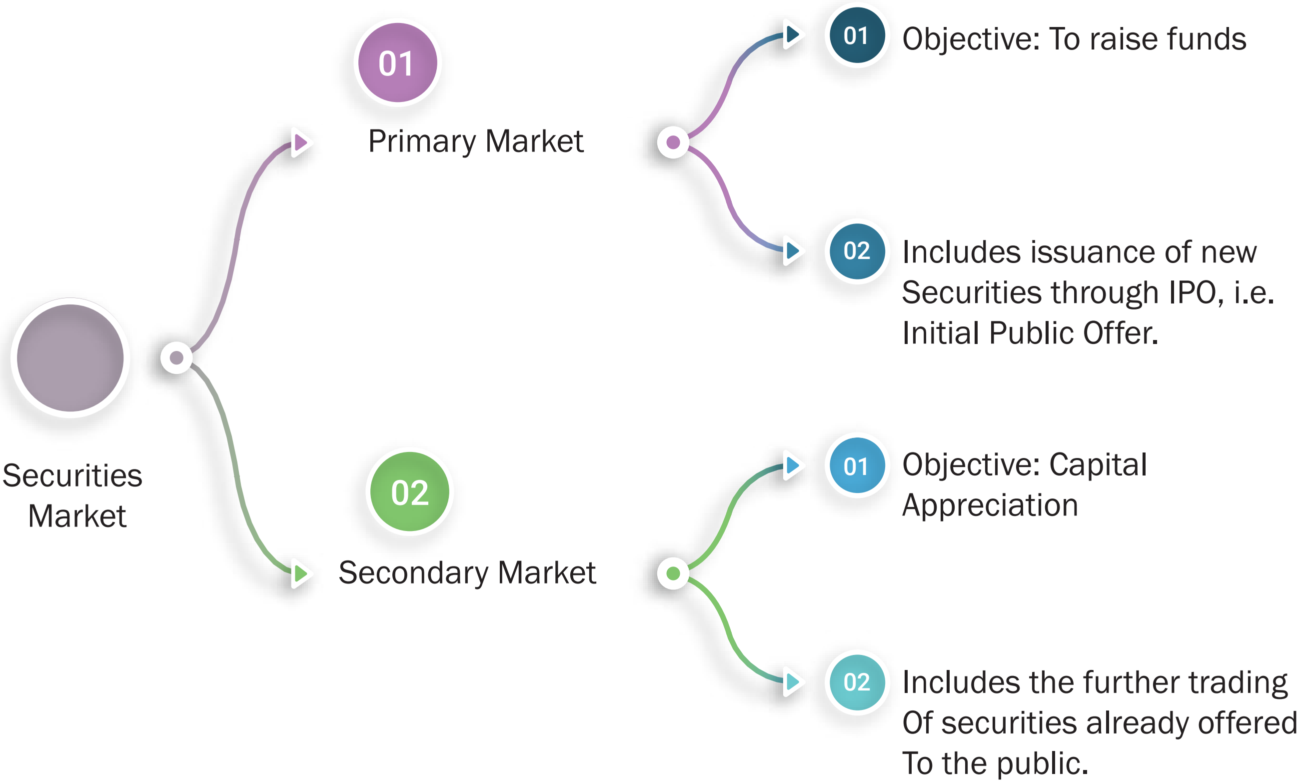
C. Derivatives are financial instruments whose value depends upon the value of another asset such as shares, debt securities, commodities, etc. The main types of exchange traded derivatives are futures and options.

D. 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 thus a part of the Capital Market.

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

Securities market has two interdependent and inseparable segments, which are mentioned as below:



3

Primary Market and Secondary Market

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:

1 Public Issue

Securities are issued to general public and anyone can subscribe to them. Public issue of equity shares can be categorized as follows:

i. Initial Public Offer (IPO):

An IPO is 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.

ii. Follow on Public Offer (FPO):

It is made by an issuer/ company that has already done an IPO in the past and is making a fresh issue of securities to the public.

2 Preferential Issue

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

3 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 a rights issue.

4 Bonus Issue

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

In order to raise funds from public, companies need to file an offer document with SEBI which is called as the draft red herring prospectus or the draft prospectus. The prospectus contains details like the 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 the shares of that company. The securities which are issued in primary market are listed on a recognized Stock Exchange in less than six (06) working days from the date of the closure of the issue. The shares are then listed on the recognized stock exchanges, where 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 Stock broker and receive the money.

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

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. Stock Exchanges have two main segments - Cash Market segment and the Derivatives Market segment.

4

Who are the Market Infrastructure Institutions and Market Intermediaries in the securities market?

Market Infrastructure Institutions: The infrastructure to facilitate the transactions in securities market (viz. issue, purchase and sale of securities) is provided by Stock Exchanges, Depositories and Clearing Corporations. These institutions are known as Market Infrastructure Institutions (MIIs). A list of SEBI registered market infrastructure institutions (MIIs) is available on the link: https://www.sebi.gov.in/intermediaries.html.

The Stock Exchanges provide a nation-wide computerized screen based trading platform to facilitate buying and selling of securities, through their registered stock brokers and at market determined prices, in a fair manner. The list of SEBI recognized stock exchanges in India is available on the link: https://www.sebi.gov.in/stock-exchanges.html.

The major nation-wide stock exchanges are BSE Limited (BSE), National Stock Exchange of India Limited (NSE) and Metropolitan Stock Exchange of India Limited (MSE).

NSE Clearing

Indian Clearing Corporation Limited ICCL Reliability builds relationships

Clearing Corporations: The main function of Clearing Corporations is to guarantee the settlement of trades executed on the Stock Exchanges. In other words, Clearing corporations guarantee that every buyer will get the securities which are bought by him and every seller of securities will get money for the securities sold by him.

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 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.

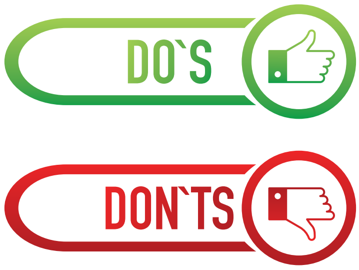
Market Intermediaries are important participants in the smooth functioning of the primary and the secondary markets. These market intermediaries support the process of executing orders for buying or selling of securities, dealing in securities and providing information relevant to the trading of securities. Some important intermediaries are stock brokers, depository participants, merchant bankers, share and transfer agents, registrars, etc. All such intermediaries are registered with SEBI and are required to abide by the prescribed norms to protect the investors. A list of SEBI recognized market intermediaries may be accessed on the following link: https://www.sebi.gov.in.

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 other 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.

The investors should also be well informed about their rights, responsibilities, Do's and Don'ts of investing and these documents are available on the website/s of SEBI and stock exchanges and depositories. The Do's and Don'ts' of investing in securities market are also attached in the Annexure-I of this booklet. In addition to the same, the rights and obligations of investors are attached in the Annexure-II of this booklet.



Investors should make informed decision before investing in the shares of a company. They should carefully read all the information related to the company such as disclosures related to the company, its promoters, the project details, financial details, etc. These details can be found on the websites of the stock exchanges.

For investing in securities market, investors may also approach any SEBI registered Investment Adviser. A list of SEBI registered Investment Adviser(s) may be found on the following link:
https://www.sebi.gov.in.

However, investors should exercise caution against unsolicited investment advice from unregistered investment advisers. For details, you may refer Annexure-III of this booklet.

5

Key Risks in Investing in Securities Market

Market risk or Systematic Risk: It refers to the risk faced by investments due to factors affecting the overall performance of securities and general economy of the country.

Unsystematic Risk: Unsystematic risk can be described as the risk attached with a particular company or industry.

Inflation risk: Inflation risk is also called as purchasing power risk. It is defined as the chance that the cash flows from an investment would lose their value in future because of a decline in its purchasing power due to inflation.

Liquidity risk: Liquidity risk arises when an investment can't be bought or sold quickly enough.

Business Risk: It refers to the risk that a business of a company might be affected or may stop its operations due to any unfavorable operational, market or financial situation.

Volatility Risk: Volatility risk arises as the Companies' stock prices may fluctuate over time.

Currency Risk: It refers to the potential risk of loss from fluctuating foreign exchange rates that an investor may face when he has invested in foreign currency or made foreign-currency-traded investments.

6

How to Mitigate the Risk?

The investors can try to mitigate risk by different means. Asset allocation is one strategy through which an investor can mitigate risk by diversifying their investments into various companies and asset classes.

Account Opening Process

7

Pre-requisites for Investing in Securities Market

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

BANK ACCOUNT | TRADING ACCOUNT | DEMAT ACCOUNT

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.

Take the following precautions while filling up the account opening form:

- You should put your signatures while indicating preferences for trading in different exchanges.
- You should carefully note all the charges/ fees/ brokerage that are applicable on your accounts and keep a record of the same.
- Identify the segments in which you would like to trade (cash, F&O, Currency Derivative or any other segments). Trading in derivatives requires understanding of the derivative products.
- In case you want to avail additional facilities namely Running Account facility, execution of Power of Attorney, etc., you will have to give specific authorization to the stock broker in order to avoid any dispute in the future.
- You should provide your email address and mobile number in the account opening form. The broker and stock exchanges use these contact details to keep you updated on the trading updates that are important for you to know.
- You should always demand and take a copy of the account opening form for your records.

8

Procedure for opening an account: Know Your Client (KYC) process

While opening of Demat/ Trading/ Bank Account, you have to submit Know Your Client (KYC) documents. Let us understand what KYC means and why is it compulsory?

KYC is mandatory under the Prevention of Money Laundering Act, 2002 and Rules framed thereunder. While opening of Demat / Trading/ Bank account, client have to submit Officially Valid Documents (OVDs) as proof of identity and proof of address and these documents form a part of the KYC requirements. An investor can establish his identity and address through relevant supporting prescribed documents such as PAN card / UIDAI-Aadhar/ Passport/ Voter ID card/ Driving license, etc. Once the KYC form is submitted, a unique KYC Identification Number (KIN) is generated and communicated to the client by SMS/ Email. KYC is a one-time process and is valid across all the intermediaries. You need not undergo the same process again while opening an account with another intermediary in securities market.

e-KYC

Investors can complete KYC process using e-KYC facility using UIDAI - Aadhaar/ Digi Locker.

- Fill the account opening details/ form online in the Stock Broker's website.
- Submit scanned images of the mandatory documents/POA (Proof of address) / POI(Proof of Identity).
- Complete IPV (In Person Verification) process over video call.
- Digitally Sign the document.
- Account gets activated.

Tips

- Ensure that you read and understand all the documents before signing.
- Do not sign any blank document.
- Always refer to the Do's and Don'ts mentioned in the Annexure of the account opening kit.
- Ensure to register YOUR mobile number and email address with the bank, depository participant and stock broker to receive SMS and email alerts regarding transactions in your account.

9

Basic Services Demat Account (BSDA)

Basic Services Demat Account (BSDA):

Basic Services Demat Account is the demat account facility which is provided to individuals who have only one demat account (across all depositories) and the value of the holdings doesn't exceed Rs.2 lakhs each for non-debt securities (like equities) and debt securities, at any point of time.

The Annual Maintenance charges (AMC) structure for BSDA is as mentioned below:

Security Type	Slabs Value of Holdings	Charges
For Non - Debt Securities	Up to Rs. 50,000/-	No AMC
	Rs. 50,001 to Rs. 2,00,000/-	Up to Rs. 100/-
For Debt Securities	Up to Rs. 1,00,000/-	No AMC
	Rs. 1,00,001 to Rs. 2,00,000/-	Up to Rs. 100/-

Please check the website of SEBI or the respective Depository for the latest rules in this regard.

A combination of the above mentioned three accounts (i.e. a bank account, a demat account and a trading account) is often referred to as the “3-in-1” account. The investors may either open the above mentioned three accounts separately with different depository participant/ broker/ institution or they may also approach a single depository participant/ broker / institution who provides the facility of opening of all the three accounts together.

The list of SEBI registered stock brokers and depository participants may be obtained from SEBI’s official website (www.sebi.gov.in) or from the websites of the respective Stock Exchanges or depositories.

10

Power of Attorney

Power of Attorney is a document of 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 and/or 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.

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.

In case any transfer of shares is done by your stock broker in your account, for any reason other than those that are authorized by you under POA, you should immediately take up the matter with your stock broker. In case no response is received from them or you are not satisfied with the response, you should immediately take up the matter with the Depository/Exchange.

In case you wish to execute a Power of Attorney (PoA) in favour of the Stock Broker / Depository Participant, please refer to the guidelines issued by SEBI/ Stock Exchanges/ Depositories available at their respective official websites.

Guidelines

https://www.sebi.gov.in/

11

Nomination

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.

How do I invest in Securities Market?

12

Investment through Primary Market

When an issuer company issues shares to the general public through public offer, you can apply for the shares by submitting the necessary application form. For issuance of securities, the issuer company has to follow certain rules, regulations, etc. Shares will be allotted as per the prescribed Rules & regulations. The shares allotted will be credited in the applicant's Demat Account maintained with DP. Allotment of securities will be made in demat form and investors have a choice of subsequently getting them converted to physical shares. On closure of public issue, within six (06) working days of closure of the issue, shares allotted are listed on the recognized Stock Exchanges where further trading of the shares takes place.

Please Note:
As per latest SEBI guidelines, you can opt to hold securities such as share certificates in physical form or Demat form. However, with effect from April 01, 2019, securities can be transferred only if the same are held in Demat form. It is therefore advisable to open a demat account and hold all the securities in demat form. This rule is not applicable if the shares are to be transmitted to their legal heirs by way of inheritance or succession.

13

Process of investing in Primary Market

You can buy shares of a Company directly from the company during the public offer/ issue by filling up an application form and making payment during the period when the public issue is open for issue to the public. In the application form, you have to fill your details such as name, address, number of shares applied for, bank account details, demat account in which shares are to be credited, etc.

Investors who are interested in investing in that IPO may then apply for the same through Application Supported by Blocked Amount (ASBA) and also by using Unified Payment Interface (UPI) as a payment mechanism (mentioned later in the booklet in detail). Investors will then have to fill up the application form and apply for allocation of shares to them as per their preference. The money for the shares for which the investor has applied, then gets blocked in the bank account of the investor. The entire process of listing of an IPO takes six (06) working days after the closure of the issue. The investors to whom the shares are issued, get the shares in their demat account and the funds for the same get debited from their bank account. In case the shares aren't allocated, the funds blocked in the applicant investor's bank account gets released for further utilization.

Word of caution:

- Read carefully the prospectus/ red herring prospectus/ offer document of the company before making investment in shares of a company.
- Take due care about the price and quantity of shares while applying for the shares in the public issue.
- Keep a note of the price at which you applied for shares.
- Don't invest on the basis of market sentiments, rather analyze about the company and its financials and invest smartly.

14

Application Supported by Blocked Amount (ASBA)

Investors can now apply for securities in IPOs through ASBA. In ASBA, money to the extent of price of the shares for which the investor has applied, is blocked, but it remains in your account till allotment. Upon allotment of shares, etc., requisite amount is debited from your account. Blocked amount continues to earn interest and there is no requirement of refund in case of non-allotment. Thus, instead of actually sending a cheque for applying in IPOs you can now apply through Application Supported by Blocked Amount (ASBA) which is facilitated by certain branches of collecting banks. List of these banks is available on the website of SEBI. Investors can now invest in IPOs by using Unified Payment Interface (UPI) as a payment mechanism. The process of investing using UPI is explained at Annexure-IV.

15

Investment through Secondary Market

Once you have opened a trading/ broking account with a stock broker of a recognized Stock Exchange, you can buy or sell shares of a company through the stock broker at the stock exchange. You can place the order for purchase or sale of securities through your broker using the online trading account by visiting broker's website, mobile trading app of broker, through the phone using Call & Trade facility, by physically visiting the broker's office or through Authorized Persons of stock brokers.

Modes of placement of Order:

Word of caution:

- Buying or selling of shares should be done only through a SEBI registered stock broker or Authorized Person.
- Always keep a record of the orders placed by you to the broker, while trading in secondary market.

16

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.

What is the pay-in day and pay-out day? Pay-in day is the day when the brokers shall make payment or delivery of securities to the clearing corporation of the exchange. Pay-out day is the day when the clearing corporation makes payment or delivery of securities to the broker. Settlement cycle is on a T+2 rolling settlement basis w.e.f. April 01, 2003 (where T stands for the trade day). For example, the trades executed on a Monday are typically settled on the following Wednesday (considering 2 working days from the trade day). Stock Exchanges ensure that the pay-in and pay-out of funds and securities are carried out on T+2 day.

Pay-in of funds/ securities refers to the transfer of funds/ securities from brokers account to the exchange's account.

Pay-out: Pay-out of funds/securities refers to transfer of funds/securities from Exchange account to Broker account.

Word of caution:

- Always ensure that you keep adequate funds/ securities in your bank/ demat account, respectively, before the date of pay-in of the settlement cycle of the trade.
- Non-availability of sufficient funds/ securities for settlement may lead to levy of penalty and further losses for the investor.

17

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.

Word of caution:

- 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.

18

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.

19

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.

Running Account authorization is voluntary and useful for the investors who frequently buy and sell securities. Running Account authorization shall be dated and revocable at any time. The actual settlement of the funds and securities shall be done by the broker, at least once in 30 days / 90 days as opted by the investors (client).

20

Trade Verification

Trade Verification module on the websites of exchanges is a very simple tool to verify the trades executed in your account. The data on the trades would be available on T+1 day.

21

What is 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 for buy trades or non-delivery of securities for sell trades by an investor. Margin can be provide in the form of cash or securities or cash equivalent i.e. fixed deposits, bank guarantee, units of mutual funds, government securities, and treasury bills in demat form etc.

With effect from September 01, 2020 investors (client) can provide margin in the form of "securities" only by pledging the securities in favour of specially designated demat account of stock broker.

Early Pay-in: In case investor wants to avail exemption from payment of margin, investor may use "early pay-in" facility where payment of funds / delivery of shares shall be made to the broker before the pay-in date or as per time/date specified by the broker.

22

Statement of Account from Stock Broker 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.

You are entitled to receive a statement of balance of Funds and Securities as on 31st March of every year from your stock broker.

23

Consolidated Account Statement (CAS)

Consolidated Account Statement (CAS) is a single/ combined account statement 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 card number with your stock broker/ depository participant.

24

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.

Derivatives are primarily used by investors for hedging their 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.

Please note that derivatives are high risk products and mainly used for hedging purposes. This is not recommended for retail investors.

Mutual Funds and ETFs

25

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. 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).

Categorization of mutual funds: Mutual funds are now broadly categorized into five types of schemes mentioned as below:

A	**Equity Schemes:** Mutual funds which principally invest in stocks/ equities.
B	**Debt Schemes:** Mutual funds which principally invest in fixed income securities like bonds and treasury bills.
C	**Hybrid Schemes:** Mutual funds which invest in two or more asset classes such as equities, fixed income, cash, etc.
D	**Solution Oriented Schemes:** Mutual fund schemes which make their investments as per the goals of individuals like retirement and child planning, etc.
E	**Other Schemes:** All other schemes like Index Funds, Sectoral funds, etc.

26

How to invest in Mutual Funds?

Mutual funds normally come out with an advertisement in newspapers publishing the date of launch of the new schemes. Investors can also contact the agents and distributors of mutual funds who are spread all over the country for necessary information and application forms. While investing in mutual funds, the investors will first have to complete their KYC process. An investor can either do a physical KYC at the branch of the fund or at the registrar office. Alternatively, an individual can also do e-KYC using his Aadhaar card and his PAN card number.

Once the KYC process is complete, the investor then has to decide upon the scheme that he wants to invest in. This decision is based on the risk appetite and financial goals. When the investor has shortlisted the mutual fund scheme, he will have to fill up the necessary application forms for investing in those respective schemes. Forms can be deposited with mutual funds through the agents and distributors who provide such services or directly with the MF. While filling up the application form, an investor must mention clearly his name, address, number of units applied for and such other information as required in the application form. He must give his bank account number so as to avoid any fraudulent encashment of any cheque/ draft issued by the mutual fund at a later date for the purpose of dividend or repurchase. Any changes in the address, bank account number, etc. at a later date should be informed to the mutual fund immediately. In order to further ease out the investment procedure for the investors, Mutual Funds offer the following options in addition to the lumpsum investment:

01 **Systematic Investment Plans:** Facility to invest fixed amounts in a particular scheme at regular intervals.

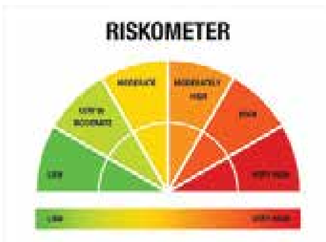
02 **Systematic Withdrawal Plans:** Facility to withdraw fixed amounts from a particular scheme at regular intervals.

03 **Systematic Transfer Plans:** Facility to transfer funds from one scheme to another at regular intervals.

27

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) Low to Moderate: 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

- Risk-o-meter is evaluated on a monthly basis.

- Mutual Funds/ AMCs shall disclose the Risk-o-meter along with portfolio disclosure for all their schemes on their respective websites and on AMFI website within 10 days from close of each month.

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.

28

Exchange Traded Funds (ETF)

An Exchange traded fund (ETF) is a security that tracks an index, commodity, bonds, or a basket of assets like an index fund and is traded in the securities market. In simple words, ETFs are funds that track indices such as Sensex, Nifty, etc. When you buy units of an ETF, you actually buy units of a portfolio that tracks the performance of the index. ETFs just reflect the performance of the index they track.

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 asstes that it represents. ETFs, generally, have higher daily liquidity and lower fees than mutual fund schemes.

29

SEBI Complaints Redress System (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). The address of the SCORES portal is http://scores.gov.in. Investors can also lodge their complaints using the SCORES mobile App while is available on Android and iOS platforms. To know more about SCORES, you may call SEBI Toll-Free helpline numbers - 1800 22 7575, 1800 266 7575. SCORES enables you to lodge your complaint, follow up and track the status of redressal of the complaint(s) online, at any time and from anywhere.

30

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 (IGRP) at NSE and Investor Grievance Redressal Committee (IGRC) at BSE Ltd and MSE.

In order 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 these Exchanges.

31

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.

For further information regarding the list of investor service centres, process of arbitration and fees and charges involved, you may visit the websites of respective stock exchanges.

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. IEPF Authority is a statutory body, constituted under the provisions of Companies Act, 2013.

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.

For more details, investors can visit http://www.iepf.gov.in/IEPF/refund.html

ANNEXURE – I

(Do's and Don'ts for investing / trading in securities market)

- You may consult with a SEBI registered Investment Advisor 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).

- Keep a regular check of your running account.
- Examine and review your trading account periodically.
- 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.

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.

33

ANNEXURE - II
(Rights and Obligations of Investors)

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.

34

ANNEXURE - III
(Caution against Unregistered Investment Advisers)

Caution against Unregistered Investment Advisers

SEBI registers Investment Advisers under SEBI (Investment Advisers) Regulations, 2013 [Last amended on July 03, 2020]. "Investment Adviser" means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called.

The aim of the Regulation is to regulate "investment advice" which refers to advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning: Provided that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations. Investment Advisers are supposed to obtain registration from SEBI and follow the Code of Conduct.

It is illegal to act as Investment Adviser without SEBI registration. SEBI is making concerted efforts to stop such illegal activity. Some unscrupulous and ignorant entities may not get themselves registered and, or, may not follow the Code of Conduct. Investment Advisers have to limit themselves to giving advice and they do not handle cash or securities.

Some of the malpractices in connection with the activities of registered and unregistered entities acting as Investment Advisers (IA) reported to SEBI comprise of the following:

- Assured returns being offered by the investment advisers to the clients.
- Charging exorbitant fees from client with a false promise of handsome returns.
- Mis-selling by IA without adhering to the risk profile of the client to earn higher fees. On receiving complaints for refund of fees from client for loss incurred, IA offer higher risk products to clients with a promise that they will recover their losses.
- Trading on behalf of the clients.
- Automatically upgrading or changing the service to higher risk products, not matching with the client profile and without the consent of the client.
- Poor service by the IA causing loss of money to the clients. - Refund related issues.

Investors therefore need to be aware and guard themselves against above mentioned practices present in the market and deal with caution with entities claiming expertise in capital markets. Investors are advised to take advice for investment only from entities registered under SEBI (Investment Adviser) Regulations, 2013 [Last amended on July 03, 2020].

The list of such entities is available at the following website: https://www.sebi.gov.in.

Do's and Don'ts while dealing with Investment Advisers

Do's	Don'ts
Always deal with SEBI registered Investment Advisers.	Do not deal with unregistered entities.
Check for SEBI registration number. The list of all SEBI registered Investment Advisers is	Don't fall for stock tips offered under the pretext of investment advice.

available on SEBI website. (https://www.sebi.gov.in)	Do not give your money for investment to the Investment Adviser.
Ensure that the Investment Adviser has a valid registration certificate.	Don't fall for the promise of assured returns.
Pay only advisory fees to your Investment Adviser.	Don't let greed overcome rational investment decisions.
Make payments of advisory fees through banking channels only and maintain duly signed receipts mentioning the details of your payments.	Don't get carried away by luring advertisements or market rumours.
Always ask for your risk profiling before accepting investment advice.	Avoid doing transactions only on the basis of phone calls or messages from any Investment Adviser or its representatives.
Insist that Investment Adviser provides advisory strictly on the basis of your risk profiling and take into account available investment alternatives.	Don't take decisions just because of repeated messages and calls by Investment Advisers.
Ask all relevant questions and clear your doubts with your Investment Adviser before acting on advice.	Do not fall prey to limited period discount or other incentive, gifts, etc. offered by Investment Advisers.
Assess the risk—return profile of the investment as well as the liquidity and safety aspects before making investments.	Don't rush into making investments that do not match your risk taking appetite and investment goals.
Insist on getting the terms and conditions in writing, duly signed and stamped. Read these terms and conditions carefully, particularly regarding advisory fees, advisory plans, category of recommendations etc. before dealing with any Investment Adviser.	
Be vigilant in your transactions.	
Approach the appropriate authorities for redressal of your doubts / grievances.	
Inform SEBI about Investment Advisers offering assured or guaranteed returns.	

35

ANNEXURE – IV
(Unified Payment Interface (UPI) in ASBA)

Investors can now invest in IPOs by using Unified Payment Interface (UPI) as a payment mechanism. UPI is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund transfers & merchant payments into one single mechanism.

UNIFIED PAYMENTS INTERFACE

How to invest using UPI:

The process of investing in IPO through UPI involves 3 major steps as mentioned below:

A

Bidding through UPI: Investors should fill the bid details in the application form along with their UPI ID. The applications may be submitted with the intermediary who will upload the bid details along with UPI ID in the stock exchange bidding platform. The stock exchange will electronically share the bid details, along with investors UPI ID with the Escrow/ Sponsor bank appointed by the issuer company.

B

Blocking of funds: The Escrow/ sponsor bank will request the investor to authorize blocking of funds equivalent to applicant amount and subsequent debit of funds in case of allotment. Upon validation of block request by the investor, the funds would then be blocked in the investors account and the investors will be informed of the same.

C

Payment for shares post allocation process: Once the shares are allocated, the process of debiting of funds from investors account would take place and excess money would be unblocked. This process would take place on the basis of the authorization given by investor using UPI PIN at the time of blocking of funds.

Points to remember while using UPI for investing in IPO:

- Create your UPI ID with a bank whose name is mentioned in the 'List of Self-Certified Syndicate Banks (SCSBs) eligible to act as an Issuer Bank, available on website of SEBI.
- Use only those mobile applications and UPI handles that are mentioned in the 'List of mobile applications for using UPI in public issues available on website of SEBI.
- Submit your application forms with UPI as a payment mechanism only to a Syndicate Member, or a Registered Stock Broker, or a Registrar and Transfer Agent or a Depository Participant.
- The limit for IPO application is Rs.2 Lakhs per transaction on UPI and is available only for retail individual investors.
- Third party UPI ID or investors using a third party bank account will not be considered for allocation.

36

ANNEXURE - V
(GLOSSARY)

Sr No	Abbreviation	Full Form
1.	AMC	Annual Maintenance Charges
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 Offer
12.	KIN	KYC Identification Number
13.	KYC	Know Your Client
14.	MII	Market Infrastructure Institutions
15.	MSE	Metropolitan Stock Exchange of India Limited
16.	NSDL	National Securities Depository Limited
17.	NSE Ltd.	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

Investor Awareness Initiatives of SEBI

A. **Resource Persons Programs :**

- Financial education programs conducted by SEBI empanelled Resource Persons in tier II/ tier III cities/ towns and in their local languages for various target groups like retired persons, home makers, self-help groups, working executives, etc.

B. **Visit to SEBI Programs :**

- Investor awareness programs conducted for students from college, schools and professional institutes who visit SEBI offices for these programs.

C. **Regional Seminars :**

- Investor Education programs conducted by SEBI in coordination with Stock Exchanges, Depositories, AMFI, Commodities Derivatives Exchanges etc.

D. **Investor Awareness Programs through Investors Associations (IAs) :**

- Investor education programs in securities market conducted by SEBI recognised Investors Associations (IAs) in tier II/ tier III cities/ towns.

E. **Investor Awareness Programs through Commodities Derivatives Trainers (CoTs) :**

- Investor education programs in commodities derivatives conducted by SEBI recognised Commodities Derivative Trainers (CoTs) in tier II/ tier III cities/ towns.

F. **Investor Awareness Programs through Securities Market Trainers (SMARTs) :**

- Investor education programs in Securities Market conducted by SEBI recognised Securities Market Trainers (SMARTs) in tier II/ tier III cities/ towns.

Details of these Investors awareness programs can be found at SEBI Investor website: http://investor.sebi.gov.in

FAQs and online resources available at websites of :

Website:	www.sebi.gov.in
Investor website:	http://investor.sebi.gov.in
Website :	www.bseindia.com
Website :	www.nseindia.com
Website:	www.nsdl.co.in
Website :	www.cdslindia.com
Website:	www.msei.in

Securities and Exchange Board of India

SEBI Bhavan
Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
Tel : +91-22-26449000 / 40459000 I Website: www.sebi.gov.in
Investor website: http://investor.sebi.gov.in
Interactive Voice Response System (IVRS): Tel : +91-22-26449950 / 40459950
Toll Free Investor Helpline: 1800 22 7575 and 1800 266 7575
For Investor complaints: https://scores.gov.in

BSE Ltd.
25th Floor, P. J. Towers, Dalal Street, Fort, Mumbai - 400 001
Tel. : 022 22721233/34
Website : www.bseindia.com
E-mail Id: is@bseindia.com

National Securities Depository Limited
Trade World, 'A' Wing, 4th & 5th Floors, Kamala Mills Compound,
Lower Parel, Mumbai - 400 013
Tel.: (022) 2499 4200 | Fax : (022) 2497 6351
Investor Helpline No. 1800 222 990
Website: www.nsdl.co.in

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051
Tel No: (022) 26598100 - 8114
Fax No: (022) 26598120

Central Depository Services (India) Limited
Marathon Futurex, A Wing, 25th Floor, Mafatlal Mills Compound,
N. M. Joshi Marg, Lower Parel (E), Mumbai - 400 013.
Toll free help line: 1800-200-5533
Website : www.cdslindia.com

Metropolitan Stock Exchange of India Limited
Vibgyor Towers, 4th Floor, Plot No C-62, Opp. Trident Hotel
Bandra Kurla Complex, Bandra (E), Mumbai - 400 098
Office : +91 22 6112 9000

For Free Circulation