



# FINANCIAL MARKETS AND SERVICES

Dr. P.Sudha

FINANCIAL



**Sultan Chand & Sons**

# FINANCIAL MARKETS AND SERVICES

**Dr. P. Sudha**

*M. Com., M. Phil., Ph.D*

Department of Corporate Secretaryship  
Chevalier T.Thomas Elizabeth College for Women  
Chennai



**Sultan Chand & Sons<sup>®</sup>**

*Educational Publishers*

New Delhi

## SULTAN CHAND & SONS®

Educational Publishers

23, Daryaganj, New Delhi-110 002

Phones : 011-23281876, 23266105, 41625022 (*Showroom & Shop*)  
011-23247051, 40234454 (*Office*)

E-mail : sultanchand74@yahoo.com; info@sultanchandandsons.com

Fax : 011-23266357; Website : www.sultanchandandsons.com

ISBN: 978-93-91820-92-3 (TC-1310)

Price: ₹ 275.00

First Edition : 2024

### EVERY GENUINE COPY OF THIS BOOK HAS A HOLOGRAM



In our endeavour to protect you against counterfeit/fake books, we have pasted a copper hologram over the cover of this book. The hologram displays the full visual image, unique 3D multi-level, multi-colour effects of our logo from different angles when tilted or properly illuminated under a single light source, such as 3D depth effect, kinetic effect, pearl effect, gradient effect, trailing effect, emboss effect, glitter effect, randomly sparking tiny dots, micro text, laser numbering, etc.

*A fake hologram does not display all these effects.*

Always ask the bookseller to put his stamp on the first page of this book.

**All Rights Reserved:** No part of this book, including its style and presentation, can be reproduced, stored in a retrieval system, or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise without the prior written consent of the publishers. Exclusive publication, promotion and distribution rights reserved with the Publishers.

**Warning:** An unauthorised act done in relation to a copyright work may result in both civil claim for damages and criminal prosecution.

**Special Note:** Photocopy or Xeroxing of educational books without the written permission of publishers is illegal and against Copyright Act. Buying and Selling of pirated books is a criminal offence. Publication of a key to this book is strictly prohibited.

**General:** While every effort has been made to present authentic information and avoid errors, the author and the publishers are not responsible for the consequences of any action taken on the basis of this book.

**Limits of Liability/Disclaimer of Warranty:** The publisher and the author make no representation or warranties with respect to the accuracy or completeness of the contents of this work and specifically disclaim all warranties, including without limitation warranties of fitness for a particular purpose. No warranty may be created or extended by sales or promotional materials. The advice and strategies contained therein may not be suitable for every situation. This work is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If professional assistance is required, the services of a competent professional person should be sought. Neither the publishers nor the author shall be liable for damages arising herefrom.

**Disclaimer:** The publishers have taken all care to ensure highest standard of quality as regards typesetting, proofreading, accuracy of textual material, printing and binding. However, they accept no responsibility for any loss occasioned as a result of any misprint or mistake found in this publication.

**Author's Acknowledgement:** The writing of a Textbook always involves creation of a huge debt towards innumerable author and publications. We owe our gratitude to all of them. We acknowledge our indebtedness in extensive footnotes throughout the book. If, for any reason, any acknowledgement has been left out we beg to be excused. We assure to carry out correction in the subsequent edition, as and when it is known.

# Preface

P

This book *Financial Markets and Services* is designed in such a way to provide undergraduate students with a solid foundation in understanding the intricate world of financial markets and the vital services that underpin them. In an era defined by economic complexity and global interconnectivity, understanding the principles and functions of financial markets and services is not just advantageous, but essential.

Financial markets serve as the lifeblood of modern economies. They facilitate the allocation of funds, risk management and price discovery. This book provides a fundamental understanding of how these markets operate, their role in capital formation and their impact on economic stability. Moreover, the landscape of financial markets is ever evolving, driven by technological advancements, regulatory changes and shifts in global economic dynamics. This textbook offers an up-to-date exploration of these evolving markets, blending theoretical concepts with practical insights.

Financial services are the cornerstone of modern commerce. The broad spectrum of financial institutions, banks, insurance companies, investment firms and more, play a fundamental role in facilitating the flow of capital, managing risk and provide a wide range of financial products and services. The financial service industry is at the crossroads of innovation and tradition, adapting itself to the rapid technological advancements, strict regulatory requirements

and growing consumer expectations. This book offers a clear insight into the services offered by the financial sector, from basic banking transactions to complex investment strategies, in connecting those in need of financial resources with those who can provide them.

The content is carefully aligned with the syllabus of various universities across India. The comprehensive coverage of topics ensures that readers gain a well-rounded understanding of the subject. The language is kept very simple and review questions have been added at the end of each chapter for self-assessment. The inclusion of case studies and practical exercise questions elevate the reading experience and bridge the gap between theory and practice.

**Dr. P. Sudha**

# Acknowledgements



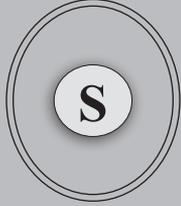
This book titled Financial Markets and Services, has been made possible through the inferences taken from various regulatory bodies that govern the financial landscape. The notifications issued by RBI have enriched the content of this book with accurate and current information on money market instruments, monetary policies and financial regulations. SEBI's rules and regulations, have contributed significantly to the content of this book by providing insights into the functioning of capital markets, investor protection and regulatory compliance of financial market intermediaries. References have been taken from the notifications and guidelines issued by NSE & BSE, which have enhanced the accuracy and relevance on the discussions such as stock markets, trading mechanisms and market indices.

I extend my thanks to the editorial team who worked tirelessly to refine the manuscript and in designing the layout of the book. My sincere thanks to the readers of this book and hope the book enriches your understanding on financial markets and services

An earnest effort has been done to make this book to be without any mistakes or misprints. Any suggestions for improvement of the book are welcome.

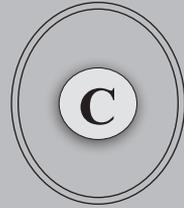
**Dr. P. Sudha**

# Snapshot of the Book



S.No.	Chapter Title	Pages	Short Answer Questions	Long Answer Questions	Figures	Practical Exercise	Case Studies
	Prelims	<i>i-xxiv</i>					No. Ques.
1.	Financial System	1-15	4	2	2		
2.	Primary Market or New Issue Market	17-63	25	16	1	4	1 3
3.	Secondary Market	65-106	27	9		4	1 3
4.	Money Market	107-121	8	4		4	1 3
5.	Debt Market	123-135	6	3		4	1 2
6.	Derivative Market	137-145	11	3		3	
7.	Depositories and Custodial Services	147-164	8	4	2	2	
8.	Financial Institutions	165-186	10	4	1	3	1 3
9.	Mutual Funds	187-202	9	7		2	
10.	Hire Purchase & Leasing	203-217	12	9		4	
11.	Insurance	219-232	12	5		2	1 2
12.	Housing Finance	233-242	7	2	1	3	
13.	Factoring	243-252	8	3		2	
14.	Securitisation	253-263	5	3	1	3	
15.	Venture Capital	265-276	5	4		2	1 2
16.	Credit Rating	277-286	4	3		2	
	<b>Total</b>		161	81	8	44	7 18

# Contents



<b>1. Financial System</b>	<b>1-15</b>
Features of a Financial System	1
Interlinkage between Financial System and Economic Development	2
Constituents of Financial System	3
Financial Institutions	3
Financial Markets	3
Importance of Financial Markets	5
Financial Instruments	5
Financial Services	6
Functions of Financial Services	6
Components of Financial Service Industry	8
Major Problems	10
Lack of Financial Literacy	10
Financial Inclusion	10
Regulatory and Policy Challenges	10
Cybersecurity and Data Privacy	11
Non-Performing Assets	11
Infrastructure Challenges	11
Lack of Trust and Transparency	11
Skill Gap	11
Slow Dispute Resolution	12
Economic Policies	12

Major Reforms in the Financial Sector	13
<i>Review Questions</i>	15

## **2. Primary Market or New Issue Market** **17-63**

Functions of New Issue Market	17
Origination	18
Underwriting	18
Distribution	19
Participants of a New Issue Market	19
Issuer of Securities	19
Investors in Securities	19
Intermediaries	20
Merchant Banker	20
Role of Merchant Bankers	21
Functions of Merchant Banker	21
SEBI Regulation on Merchant Bankers	22
Application for Grant of Certificate of Registration	22
General Obligations & Responsibilities	23
Registrar to an Issue and Share Transfer Agents	24
Application for Grant of Certificate of Registration	24
Consideration of Application	25
Capital Adequacy Requirement	25
Grant of Certificate of Registration	25
General Obligations and Responsibilities	26
Bankers to an Issue	27
Registration	27
General Obligations and Responsibilities	28
Brokers	29
Registration	29
Underwriter	31
Types of Underwriting	31
Advantages of Underwriting	32
Regulation of Underwriters	33
Registration	33
General Obligations and Responsibilities	34
Types of Issue	35
Public Issue	36
Initial Public Offer (IPO)	36

Further Public Offer (FPO)	36
Offer for Sale	37
Rights Issue	38
SEBI Guidelines for Issuing Right Shares	38
Bonus Issue	39
SEBI Guidelines for Bonus Issue of Shares	39
Composite Issue	40
Private Placement	40
Preferential Issue	40
Qualified Institutional Placement	41
Pricing of an Issue	41
Fixed Price Issue	42
Book Built Issue	42
Payment System	44
Offer Document	44
Draft Offer Document	45
Red Herring Prospectus	45
Prospectus	45
Letter of Offer	45
Abridged Prospectus	45
Abridged Letter of Offer	45
Shelf Prospectus	46
Placement Document	46
Fast Track Issue (FTI)	46
Types of Financial Instruments	47
Equity Shares	47
Features of Equity Shares	48
Preference Shares	49
Characteristics of Preference Shares	49
Types of Preference Shares	50
Sweat Equity Shares	51
Debenture	52
Types of Debentures	52
Resource Mobilisation in International Markets	54
Depository Receipts	54
ADR/GDR	54
Difference between ADR and GDR	55
Eligibility to Issue Depository Receipts	55

Conditions for Issue of Depository Receipts	55
Manner of Issue of Depository Receipts	56
Depository Receipts Issue Process	56
IDR	57
Eligibility to Issue IDRs	57
SEBI Guidelines for Issuing IDR	58
SEBI's Role in the New Issue Market	58
Registration of Intermediaries	58
Disclosure Norms	59
Approval of Prospectus	59
Monitoring of Primary Market Activities	59
Investor Protection	59
Prohibition of Insider Trading	60
Grievance Redressal	60
IPO Grading	60
<i>Review Questions</i>	60
<i>Practical Exercise</i>	62
<i>Case Study: Zomato IPO</i>	63
<b>3. Secondary Market</b>	<b>65-106</b>
Difference between Primary Market and Secondary Market	65
Secondary Market Structure and Participants	66
Stock Exchange	66
OTC Market	67
History and Growth of Stock Exchanges	67
Functions of Stock Exchange	68
Barometer of Economy	68
Helps in Decision-Making	68
Safety	68
Liquidity	69
Capital Accumulation	69
Definition of Stock Exchange	69
Corporatisation and Demutualisation of Stock Exchanges	69
Major Stock Exchanges in India	70
BSE	70
NSE	70
Objectives of NSE	70
Market Segments of NSE	71

OTCEI	72
Difference between OTCEI and Regulated Stock Exchanges	72
Features of OTCEI	73
Stock Market Index	74
Sensex	75
Nifty	75
Types of Index	76
Uses of Index	77
Listing of Securities	78
Objectives of Listing	78
SEBI Guidelines for Listing of Securities	78
Advantages of Listing	79
Disadvantages of Listing	79
Delisting of Securities	80
Investors	81
Bull	81
Bear	81
Lame Duck	81
Stag	81
Speculators	82
Types of Speculators	82
Day Traders	82
Swing Traders	82
Arbitrageurs	82
Options Traders	83
High-Frequency Traders	83
Speculative Institutional Investors	83
Intermediaries	83
Brokers	84
Kinds of Brokers	84
Trading in Stock Exchange	85
Open Outcry	85
Online Trading	85
NEAT	87
BOLT	87
Online Trading and Order Execution	87
Order	89
Market Order	89

Limit Order	89
Stop Loss Order	89
Market on Close Order	90
Day Order	90
Good Till Cancelled Order (GTC)	90
Clearing and Settlement	90
Clearing Process	91
Netting	91
Settlement Process	91
Delivery <i>Versus</i> Payment	91
Confirmation	92
Badla System	92
Rolling Settlement	92
Margin Trading	93
Initial Margin	93
Maintenance Margin	93
Extreme Loss Margin	93
Mark to Market Margin	94
Insider Trading	94
SEBI (Prohibition of Insider Trading) Regulation	94
Restrictions on Communicating	
Price Sensitive Information	95
Procedures for Fair Disclosure of Unpublished	
Price Sensitive Information	95
Trading by Insiders	96
Ombudsman	97
Who Can File a Complaint?	97
Capital Market Regulators	98
SEBI Act	98
Functions of SEBI	98
Powers of SEBI	99
SCR Act	101
Securities Appellate Tribunal	101
Powers of the Securities Appellate Tribunal	102
Appeal to Supreme Court	103
<i>Review Questions</i>	103
<i>Practical Exercise</i>	105
<i>Case Study: The Big Bull</i>	105

<b>4. Money Market</b>	<b>107-121</b>
Objectives of Money Market	107
Participants of Money Market	107
Functions of Money Market	108
Short-term Maturity	108
Low Risk	108
High Liquidity	109
Fixed Income	109
Diversification	109
Regulated Market	109
Benchmark Rates	109
Difference between Money Market and Capital Market	110
Types of Money Market	110
Unorganised Money Market	110
Organised Money Market	111
Call Money Market	111
Features of Call Money Market	111
Uses of the Call Money Market	112
Treasury Bills	112
T-Bills Issuance Authority	113
Types of T-Bills	113
T-Bills Issue Process	113
Mode of Holding T-Bills	114
Certificate of Deposit	114
Payment of Certificate	115
Commercial Paper	116
Guidelines for Issuing CPs	116
Rediscounting	117
Repo	117
Reverse Repo	117
Marginal Standing Facility	118
RBI Regulations	118
Monetary Policy	118
Regulation and Supervision	118
Market Operations	119
Market Surveillance and Monitoring	119
Transparency and Disclosure	119
Market Infrastructure	119

<i>Review Questions</i>	119
<i>Practical Exercise</i>	120
<i>Case Study: Saradha Scam</i>	120

**5. Debt Market** **123-135**

Significance of Debt Market	124
Market Segments	124
Wholesale Debt Market	124
Retail Debt Market	124
Types of Debt Instruments	125
Government Securities	125
Corporate Bonds	125
Debentures	125
Money Market Instruments	126
Risk	126
Credit Risk	126
Interest Rate Risk	126
Inflation Risk	127
Yield	127
Coupon Yield	127
Current Yield	127
Yield to Maturity (YTM)	127
Trading and Settlement of Debt Instruments	128
Trading	128
Settlement	128
Listing of Debt Instruments	128
Mandatory Listing	128
Conditions for Listing of Debt Securities Issued on	
Private Placement Basis	129
Continuous Listing Conditions	129
Debenture Trustees	130
Contents of Debenture Trust Agreement	131
Duties of the Debenture Trustee	131
Creation of Security	132
Redemption and Roll Over	132
Reforms in the Debt Market	133
<i>Review Questions</i>	134
<i>Practical Exercise</i>	135
<i>Case Study: Covid-19 Pandemic</i>	135

<b>6. Derivative Market</b>	<b>137-145</b>
Definition	137
Equity Derivatives	138
Commodity Derivatives	138
Significance of Derivatives	139
Risk Associated with Derivative Market	139
Market Risk	139
Credit Risk	139
Liquidity Risk	139
Legal and Regulatory Risk	140
Types of Derivative Contract	140
Futures	140
Options	141
Forward	142
Swaps	142
Warrants	143
Types of Traders in Derivative Market	143
Hedgers	143
Speculators	144
Arbitrageurs	144
<i>Review Questions</i>	145
<i>Practical Exercise</i>	145
<b>7. Depositories and Custodial Services</b>	<b>147-164</b>
Depositories Act, 1996	148
Structure of a Depository System	148
Depositories	148
Agreement by Issuer	149
Duties of Depositories	149
Records to be Maintained	150
Rights of Depositories and Beneficial Owner on Dematerialised Securities	150
Pledge or Hypothecation of Securities held in a Depository	150
Depository Participants	151
Duties of Depository Participants	151
Records to be Maintained	151
Beneficial Owner	152

Rights of Beneficial Owners	152
Dematerialisation	153
Security Eligible for Dematerialisation	153
Opening a Demat Account	154
Dematerialisation Process	154
Rematerialisation	155
Account Closure	156
Custodial Services	157
Meaning	157
Registration of Custodians of Securities	157
General Obligations and Responsibilities of Custodians	158
Inspection and Audit	161
Liability for Action in Case of Default	163
<i>Review Questions</i>	163
<i>Practical Exercise</i>	164
<b>8. Financial Institutions</b>	<b>165-186</b>
Functions of Financial Institutions	166
Primary Functions	166
Secondary Functions	167
RBI	167
Types of Financial Institutions	168
Scheduled Banks	168
Developmental Banks	171
Modern Banking	172
ATM	172
Internet Banking	173
National Electronic Fund Transfer (NEFT)	174
Real Time Gross Settlement (RTGS)	174
Electronic Clearing System (ECS)	174
Immediate Payment Service (IMPS)	175
Unified Payments Interface (UPI)	175
Mobile Wallet	176
Regulatory Measures by RBI	176
Capital Adequacy Norms	176
Asset Quality Norms	177
Liquidity Norms	177
Governance Norms	178
Supervision and Inspection	178

Non-Banking Financial Companies	179
Banks and NBFCs	179
Registration of NBFC	179
Categories of NBFC	180
Functions of NBFC	183
Role of RBI in Regulating NBFC	184
<i>Review Questions</i>	185
<i>Practical Exercise</i>	186
<i>Case Study: Punjab National Bank Scam</i>	186

**9. Mutual Funds** **187-202**

History of Mutual Funds	187
Constitution of Mutual Fund	189
Parties to a Mutual Fund Scheme	189
Sponsor	189
Asset Management Company	190
Custodians	190
Trustees	190
Registration of Mutual Fund	191
Contents of Trust Deed	192
Net Asset Value	192
Charges Associated with Mutual Fund	193
Expense Ratio	193
Exit Load	193
Securities Transaction Tax (STT)	193
Entry Load	193
Mutual Fund Schemes	194
Schemes According to Maturity Period	194
Schemes According to Investment Objective	194
Money Market or Liquid Schemes	195
Gilt Funds	196
Index Funds	196
Advantages of Mutual Fund Schemes	196
Professional Management	196
Diversification	196
Accessibility	196
Liquidity	197
Flexibility	197
Cost-effective	197

Transparency	197
Tax Benefits	197
SEBI Regulation on Mutual Funds	198
Registration and Compliance	198
Scheme Approval and Disclosure	198
Investment Restrictions	198
Disclosure and Transparency	198
Advertising and Marketing	199
Investor Grievance Redressal	199
Exchange Traded Funds	199
Features of ETFs	200
Difference between Mutual Fund and ETF	200
<i>Review Questions</i>	201
<i>Practical Exercise</i>	202
<b>10. Hire Purchase and Leasing</b>	<b>203-217</b>
Characteristics of Hire Purchase System	204
Ownership	204
Payments	204
Interest	204
Repossession	204
Duration	204
Flexibility	204
Hire Purchase Agreement	205
Parties in a Hire Purchase Contract	205
Contents of Hire Purchase Agreement	205
Accounting Treatment of Hire Purchase	206
Advantages of Hire Purchase System	207
Affordability	207
No Collateral Required	207
Flexibility	207
Potential Tax Benefits	207
Instalment Purchase	207
Difference between Hire Purchase and Instalment Purchase	208
Leasing	208
Difference between Hire Purchase and Leasing	209
Parties in a Lease Agreement	209
Lessor	209

Lessee	210
Contents of Lease Agreement	210
Rights and Responsibilities of Lessor	210
Rights of the Lessor	211
Responsibilities of the Lessor	211
Rights and Responsibilities of Lessee	211
Rights of the Lessee	211
Responsibilities of the Lessee	212
Types of Leasing	212
Operating Lease	212
Financial Lease	212
Leverage Lease	213
Sale and Leaseback	214
Cross-border Lease	214
Net Lease	214
Gross Lease	214
Sublease	214
Advantages of Leasing	214
Capital Outlay	214
Access to Up-to-Date Technology	214
Tax Benefits	215
Flexibility	215
Reduced Risk	215
Improved Cash Flow	215
Disadvantages of Leasing	215
Higher Overall Cost	215
Limited Control	215
Long-Term Obligations	216
<i>Review Questions</i>	216
<i>Practical Exercise</i>	217

**11. Insurance** **219-232**

Meaning	219
History and Evolution of Insurance Sector	220
Important Terms in Insurance	220
Functions of Insurance	221
Primary Functions	222
Secondary Functions	222
Fundamental Principles of Insurance	222

Principle of Utmost Good Faith	222
Principle of Insurable Interest	223
Principle of Indemnity	223
Principle of Contribution	223
Principle of Subrogation	223
Principle of Proximate Cause	224
Principle of Loss Minimisation	224
Types of Insurance	224
Life Insurance	224
General Insurance	226
Fire Insurance	226
Marine Insurance	227
Miscellaneous Insurance	228
Reinsurance	228
Facultative Method	229
Treaty Method	229
Double Insurance	229
Micro Insurance	230
Insurance Regulatory and Development	
Authority of India (IRDA)	230
Composition of IRDA	230
Powers and Functions of IRDA	230
<i>Review Questions</i>	231
<i>Practical Exercise</i>	232
<i>Case Study: Fraudulent Claims</i>	232

**12. Housing Finance** **233-242**

Housing Finance	233
Housing Finance Loan	234
National Housing Policy	235
Institutional Framework	235
Types of Housing Finance	236
Commercial Banks	236
Housing Finance Company	236
Role of HFC	237
Net Owned Fund Requirement	237
Capital Requirement	237
Housing and Urban Development Corporation (HUDCO)	237
Insurance Companies	238

Co-operative Banks	238
National Housing Bank (NHB)	238
Role of NHB	239
<i>Review Questions</i>	242
<i>Practical Exercise</i>	242
<b>13. Factoring, Forfaiting and Bills Discounting</b>	<b>243-252</b>
Definition	243
Factoring in India	244
Important Terms used in Factoring	245
Types of Factoring	245
Recourse Factoring	245
Non-recourse Factoring	245
Full Factoring	246
Invoice Discounting	246
Export Factoring	246
Rights and Responsibilities of the Factor	246
Rights and Responsibilities of the Seller	247
Rights and Responsibilities of the Debtor	248
Forfaiting	248
Difference between Factoring and Forfaiting	249
Advantages of Forfaiting	249
Disadvantages of Forfaiting	250
Bills Discounting	250
Difference between Factoring and Bills Discounting	251
<i>Review Questions</i>	251
<i>Practical Exercise</i>	252
<b>14. Securitisation</b>	<b>253-263</b>
Important Terms in Securitised Debt Instruments	253
Parties in Creation of a Securities Debt Instrument	254
Securitisation Process	254
Structure of Securitised Debt Instruments	255
Asset Based Securitisation (ABS)	255
Mortgage-Based Securities (MBS)	255
Pass-Through Certificates	255
Collateralized Mortgage Obligation	256
Pay-Through Certificates	256
Non-Asset Based Securitisation	256

Constitution and Management of Special Purpose Entities	257
Launch of Schemes	258
Offer Document	258
Underwriting and Offer Period	259
Dematerialisation of Securities	259
Credit Rating	259
Redemption of Securities	260
Credit Enhancement and Liquidity Facilities	260
Maintenance of Accounts	260
Winding-up of a Scheme	261
Rights of Investors	261
Benefits of Securitised Debt Instruments	262
Benefits to Investors	262
Benefits to Originators	262
<i>Review Questions</i>	263
<i>Practical Exercise</i>	263

**15. Venture Capital** **265-276**

Investment Conditions and Restrictions	266
Stages of Investment	267
Seed Stage	267
Start-up or Early Stage	267
Mid-Stage Investing	267
Late-Stage Investing	267
Angel Investors	267
Difference between Venture Capital and Angel Fund	268
Structure of Venture Capital Firms	268
General Partner	268
Limited Partners	269
Fund Formation	269
Investment Period	269
Portfolio Management	269
Exit Strategy	269
Advantages for Entrepreneurs	269
Access to Capital	269
Guidance and Mentorship	270
Validation and Credibility	270
Industry Expertise	270
Advantages for Investors	270

High Return Potential	270
Diversification	270
Exposure to Innovation and Disruption	271
Disadvantages of Venture Capital	271
Loss of Control	271
High Expectations and Pressure	271
Loss of Privacy and Disclosure Requirements	271
Risk of Business Failure	271
Exit Requirements	272
SEBI Regulation on Venture Capital Funds	272
Eligibility Criteria	272
A Company	272
A Trust	273
A Body Corporate	273
Procedure for Grant of Certificate	273
Conditions of Certificate	274
Minimum Investment in a Venture Capital Fund	274
<i>Review Questions</i>	274
<i>Practical Exercise</i>	275
<i>Case Study: Startups</i>	275

**16. Credit Rating** **277-286**

History of Credit Rating in India	278
Functions / Obligations of CRAs	278
Agreement with the Client	278
Monitoring of Ratings	279
Review of Rating	279
Internal Procedures to be Framed	280
Disclosure of Rating Definitions and Rationale	280
Submission of Information to the Board	280
Appointment of Compliance Officer	280
Maintenance of Books of Accounts Records, etc.	280
Confidentiality	281
Calculation of Credit Ratings	281
Financial Statement Analysis	281
Industry Analysis	282
Management Appraisal	282
External Factors	283

Rating Process	283
Rating Symbol	284
Limitations of Credit Ratings	284
Credit Rating Agencies in India	285
<i>Review Questions</i>	285
<i>Practical Exercise</i>	286

## ABOUT THE BOOK

Financial Markets and Services is a comprehensive textbook designed to provide undergraduate (UG) and postgraduate (PG) commerce students with a thorough understanding of financial markets, financial instruments and the various type of services offered within the financial sector. This textbook has been meticulously prepared to align with various university syllabus and caters to the academic needs of students pursuing degree in commerce and related discipline.

## SALIENT FEATURES

- In-depth coverage of important financial concepts and practices.
- Elucidates the process involved in capital mobilisation within the primary market.
- Simple and Clear explanation of secondary market, mechanics of an online trading, clearing and settlement process.
- Provides insights into financial instruments traded in stock markets.
- Detailed explanation of the mechanisms through which financial institutions facilitate the flow of capital, risk management and the wide range of products and services offered.
- Review questions, case studies and practical exercises has been provided at the end of each chapter for self-assessment and to connect theoretical concepts to their real-world applications.

Through its well-structured content, this textbook equips students with the knowledge and skills necessary to understand the complex landscape of financial markets and services offered by the financial sector.

## ABOUT THE AUTHOR

**Dr. P.Sudha** teaches at the Department of Corporate Secretaryship, Chevalier T.Thomas Elizabeth College for Women, Chennai. Having completed her post-graduation with a University Rank, she joined full time Ph.D with finance as her specialisation. She was awarded the doctoral degree in the year 2011. She has specialised in the areas of Capital Markets & Corporate Laws.



## Sultan Chand & Sons

*Publishers of Standard Educational Textbooks*

23 Daryaganj, New Delhi-110002

Phones (S) : 011-23281876, 23266105, 41625022

(O) : 011-23247051, 40234454

Email : [sultanchand74@yahoo.com](mailto:sultanchand74@yahoo.com)

[info@sultanchandandsons.com](http://info@sultanchandandsons.com)



Scan to Visit Us

ISBN 978-93-91820-92-3



TC 1310

9 789391 820923

