

INDIAN FINANCIAL SYSTEM

M. Com Semester II

SECONDARY MARKET

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MEANING OF SECONDARY MARKET

- Secondary market refers to a market where securities are traded after being initially offered to the public in the primary market and are listed on the stock exchange.
- It comprises of equity, debt and derivatives market.

FUNCTIONS OF SECONDARY MARKET

- Marketplace for trading of securities
- Determines prices of securities
- Provides liquidity to the investors
- Low transaction costs
- Safe dealing in securities
- Publishes reports regarding dealings in securities
- Regular information about the value of securities and listed companies

ROLE OF STOCK EXCHANGES

- Mobilization of savings for investment
- Facilitating companies growth
- Creating investment opportunities
- Maintenance of stock indices
- Organized and safe marketplace
- Barometer of the economy
- Ensures availability of funds
- Improved marketability of securities as a result of demat facility and online trading

ISSUE OF SECURITIES

There are three phases of issuing securities:

- **Trading:** The stock exchanges use an electronic order matching system to match ‘buy’ and ‘sell’ orders from different traders. This process is supported by stock brokers.
- **Clearing:** Once two orders match and a trade is executed, the clearing process takes place. It identifies which security is owed to the buyer and how much money is owed to the seller. The entire process is managed by “clearing houses”.
- **Settlement:** Once the buyer receives the security and the seller receives the payment, transaction is settled.

BOMBAY STOCK EXCHANGE(BSE)

Type	<u>Stock exchange</u>
Location	<u>Mumbai, Maharashtra, India</u>
Founded	9 July 1875
Key people	<ul style="list-style-type: none">• <u>Vikramajit Sen</u> (<u>Chairman</u>)• <u>Ashishkumar Chauhan</u> (<u>MD & CEO</u>)
<u>Currency</u> <u>No. of Listings</u> <u>Market cap</u>	Indian Rupee 5439 ₹151,970.87 billion(US\$2.1 trillion) (March 2019)
Indices	<u>BSE SENSEX</u> S&P BSE Small Cap S&P BSE Mid Cap S&P BSE Large Cap BSE 500
Website	<u>www.bseindia.com</u>

The **BSE SENSEX** (also known as the S&P Bombay Stock Exchange Sensitive Index or simply the **SENSEX**) is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange.

Number of Constituents :**30**

Launch Date :**Jan 1, 1986**

CONSTITUENT MARKET CAP [INR CRORES]

Max Market Cap :6,80,646.16

Min Market Cap :30,277.36

Mean Market Cap :1,90,486.19

Median Market Cap :1,33,726.88

(MARCH 26, 2020)

FULL CONSTITUENT LIST(As on 26/02/2020)

- Asian Paints Ltd
- Axis Bank Ltd
- Bajaj Auto Ltd
- Bajaj Finance Ltd
- Bharti Airtel Ltd
- HCL Technologies Ltd
- HDFC Bank Ltd
- Hero MotoCorp Ltd
- Hindustan Unilever Ltd
- Housing Development Finance Corp
- ICICI Bank Ltd
- IndusInd Bank Ltd
- Infosys Ltd
- ITC Ltd
- Kotak Mahindra Bank Ltd

- Larsen & Toubro Ltd
- Mahindra & Mahindra Ltd
- Maruti Suzuki India Ltd
- Nestle India Ltd
- NTPC Ltd
- Oil & Natural Gas Corp Ltd
- Power Grid Corp of India Ltd
- Reliance Industries Ltd
- State Bank of India
- Sun Pharmaceutical Industries Ltd
- Tata Consultancy Services Ltd
- Tata Steel Ltd
- Tech Mahindra Ltd
- Titan Co Ltd
- Ultra Tech Cement Ltd

National Stock Exchange

Location	Mumbai, India
Founded	1992
Owner	National Stock Exchange of India Limited
Key people	<ul style="list-style-type: none">•Girish Chandra Chaturvedi (Chairman)•Vikram Limaye (MD & CEO)
Currency	Indian rupee (₹)
No. of listings	1,952 ^[1]
Market cap	US\$2.27 trillion (April 2018) ^[1]
Volume	₹28,692 billion (US\$400 billion) (June 2014)
Indices	NIFTY 50 NIFTY NEXT 50 NIFTY 500
Website	www.nseindia.com

National Stock Exchange

The National Stock Exchange of India Limited is the leading exchange of India, located in Mumbai.

The NSE was established in 1992 as the first demutualized electronic exchange in the country.

NSE was the first exchange in the country to provide a modern, fully automated, screen-based electronic trading system which offered easy trading facility to the investors spread across the length and the breadth of the country.

NSE INDEX

The NIFTY 50 is a well diversified 50 stock index. It represents the top 50 Largecap companies based on market capitalisation. The rescheduling of index constituents happens bi-annually every year.

The NIFTY 50 is a diversified 50 stock index accounting for 13 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds.

NIFTY 50 is owned and managed by NSE Indices Limited (formerly known as India Index Services & Products Limited) (NSE Indices). NSE Indices is India's specialised company focused upon the index as a core product.

The NIFTY 50 Index represents about 66.8% of the free float market capitalization of the stocks listed on NSE as on March 29, 2019.

The total traded value of NIFTY 50 index constituents for the last six months ending March 2019 is approximately 53.4% of the traded value of all stocks on the NSE. Impact cost of the NIFTY 50 for a portfolio size of Rs.50 lakhs is 0.02% for the month March 2019..

NIFTY 50 is ideal for derivatives trading.

From June 26, 2009, NIFTY 50 is computed based on free float methodology.

COMPANY NAME

- Adani Ports and Special Economic Zone Ltd.
- Asian Paints Ltd.
- Axis Bank Ltd.
- Bajaj Auto Ltd.
- Bajaj Finance Ltd.
- Bajaj Finserv Ltd.
- Bharat Petroleum Corporation Ltd.
- Bharti Airtel Ltd.
- Bharti Infratel Ltd.
- Britannia Industries Ltd.
- Cipla Ltd.
- Coal India Ltd.
- Dr. Reddy's Laboratories Ltd.
- Eicher Motors Ltd.

INDUSTRY

- SERVICES
- CONSUMER GOODS
- FINANCIAL SERVICES
- AUTOMOBILE
- FINANCIAL SERVICES
- FINANCIAL SERVICES
- ENERGY
- TELECOM
- TELECOM
- CONSUMER GOODS
- PHARMA
- METALS
- PHARMA
- AUTOMOBILE

- GAIL (India) Ltd.
- Grasim Industries Ltd.
- HCL Technologies Ltd.
- HDFC Bank Ltd.
- Hero MotoCorp Ltd.
- Hindalco Industries Ltd.
- Hindustan Unilever Ltd.
- Housing Development Finance Corporation Ltd.
- ICICI Bank Ltd.
- ITC Ltd.
- Indian Oil Corporation Ltd.
- IndusInd Bank Ltd.
- Infosys Ltd.
- JSW Steel Ltd.
- Kotak Mahindra Bank Ltd.
- Larsen & Toubro Ltd.
- Mahindra & Mahindra Ltd.
- Maruti Suzuki India Ltd.
- NTPC Ltd.
- Nestle India Ltd.

- ENERGY
- CEMENT & CEMENT PRODUCTS
- IT
- FINANCIAL SERVICES
- AUTOMOBILE
- METALS
- CONSUMER GOODS
- FINANCIAL SERVICES
- FINANCIAL SERVICES
- CONSUMER GOODS
- ENERGY
- FINANCIAL SERVICES
- IT
- METALS
- FINANCIAL SERVICES
- CONSTRUCTION
- AUTOMOBILE
- AUTOMOBILE
- ENERGY
- CONSUMER GOODS

- Oil & Natural Gas Corporation Ltd.
- Power Grid Corporation of India Ltd.
- Reliance Industries Ltd.
- Shree Cement Ltd.
- State Bank of India
- Sun Pharmaceutical Industries Ltd.
- Tata Consultancy Services Ltd.
- Tata Motors Ltd.
- Tata Steel Ltd.
- Tech Mahindra Ltd.
- Titan Company Ltd.
- UPL Ltd.
- UltraTech Cement Ltd.
- Vedanta Ltd.
- Wipro Ltd.
- Zee Entertainment Enterprises Ltd.

- ENERGY
- ENERGY
- ENERGY
- CEMENT & CEMENT PRODUCTS
- FINANCIAL SERVICES
- PHARMA
- IT
- AUTOMOBILE
- METALS
- IT
- CONSUMER GOODS
- FERTILISERS & PESTICIDES
- CEMENT & CEMENT PRODUCTS
- METALS
- IT
- MEDIA & ENTERTAINMENT

INTERMEDIARIES OF SECONDARY MARKET

An intermediary helps people to invest their money in the stock market. It may be an organization or a fund manager. It acts as a mediator in the market.

Types of intermediaries:

Brokers- A broker is a licensed and regulated firm that facilitates buying and selling of financial instruments for investors, clients, institutions or firms.

1) FULL-SERVICE BROKER-

These firms offer diversified financial services. They have their own investment banking research department. They also provide personnel planning, asset management and banking services.

2) ONLINE BROKERS:

They are also known as direct access brokers.

They cater to active day-to-day trading client with smallest commissions often priced on per share basis.

These firms provide direct access platform with charting and routing capabilities with access to electronic communication network (ECN).

3) DISCOUNT BROKERS:

They provide independent research mutual fund access and basic banking products.

Discount brokers charge smaller commissions.

They cater to active investors and day traders.

They provide their own direct access trading platform and physical office locations throughout the country.

4) SUB BROKER

A sub broker is any person who is not a trading member of a stock exchange.

They act on the behalf of a trading member as agents.

They assist investors in dealing securities through such trading members.

Examples of some leading brokers-

Rank	Broker
1	Zerodha
2	ICICI Direct
3	HDFC Securities
4	Upstox
5	Kotak Securities
6	Sharekhan
7	Angel Broking
8	5paisa
9	Motilal Oswal
10	AxisDirect
11	Karvy
12	SBI Securities
13	IIFL
14	Geojit

Regional Stock Exchange

- The concept of Regional Stock Exchange was introduced in the days of manual trading to encourage mobilization of resources.
- Regional exchanges were established in almost every state. These stock exchanges were set up regionally to enable investors to access the stock market. They also served as a link between the local companies and local investors.
- In India, the area of operation and jurisdiction of the regional stock exchanges were specified. The emergence of a number of regional stock exchanges was the result of India's geographical and telecommunications limitations.
- The regional stock exchanges did well till the beginning of the 1990s. In the 1990s new stock exchanges- OTCEI, NSE, ISE were setup and permitted nationwide trading.


Causes for the Decline of RSEs





- The national reach of BSE and NSE and cutthroat competition between them, threatened the existence of the regional stock exchanges.
- After the emergence of nationwide trading terminals, developments in technology and abolition of compulsory listing on regional stock exchanges, trading in equity and equity derivative segments was concentrated in two exchanges namely, Bombay Stock Exchange Ltd (BSE) and National Stock Exchange Ltd (NSE).
- The smaller/regional stock exchanges which did not have trading on their own platform became defunct due to lack of sustainable operations and the shareholders of companies listed on these stock exchanges did not have an exit option, as these companies were not listed on stock exchanges having nationwide trading terminal.
- The introduction of uniform rolling settlement from June 2001 in place of account period settlement with varying settlement cycles.

Current status of Regional Stock Exchanges

- Over the years several methods were adopted to revive RSEs, however none could provide the desired results.
- The RSEs were forced to down their shutters as low turnover volumes resulted in huge revenue deficits.
- In terms of the exit circular, SEBI, vide its various exit orders, derecognized around 19 stock exchanges during the period January 2013 to April 2018.
- India International Exchange Ltd and NSE IFSC Ltd have Single Segment across all asset/product classes.

List of Stock Exchanges (Arranged in alphabetical order)

Sr. No.	Name of the Recognized Stock Exchange	Address	Recognition Valid Upto	Segments Permitted
1	BSE Ltd.	P J Tower, Dalal Street, Mumbai 400023 Website : http://www.bseindia.com 	PERMANENT	a. Equity b. Equity Derivatives c. Currency Derivatives (including Interest Rate Derivatives) d. Commodity Derivatives e. Debt
2	Calcutta Stock Exchange Ltd.	Website : http://www.cse-india.com/ 	PERMANENT	
3	India International Exchange (India INX)	101, First Floor, Hiranandani Signature Tower, GIFT City IFSC, Gujarat 382355 Website : http://www.indiainx.com/ 	Dec 28, 2020	a. Equity Derivatives (Equity Index Derivatives & Single Stock Derivatives) b. Commodity Derivatives c. Currency Derivatives d. Debt
4	Indian Commodity Exchange Limited	Reliable Tech Park, 403-A, B-Wing, 4 th Floor, Thane-Belapur Road, Airoli (E), Navi Mumbai 400708 Website : http://www.icexindia.com/ 	PERMANENT	a. Commodity Derivatives
5	Metropolitan Stock Exchange of India Ltd.	Vibgyor Towers, 4th Floor, Plot No C 62, G - Block, Opp. Trident Hotel, Bandra Kurla Complex, Bandra (E), Mumbai 400098 Website : http://www.msei.in/index.aspx 	Sep 15, 2020	a. Equity b. Equity Derivatives c. Currency Derivatives (including Interest Rate Futures) d. Debt

6	Multi Commodity Exchange of India Ltd.	Exchange Square, CST No.225, Suren Road, Andheri (E), Mumbai 400093 Website : https://www.mcxindia.com/ 	PERMANENT	a. Commodity Derivatives
7	National Commodity & Derivatives Exchange Ltd.	Akruti Corporate Park,1st Floor, Near G.E.Garden, L.B.S. Marg, Kanjurmarg (West), Mumbai 400078 Website : http://www.ncdex.com/ 	PERMANENT	a. Commodity Derivatives
8	National Stock Exchange of India Ltd.	Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East) Mumbai 400051 Website : https://www.nseindia.com 	PERMANENT	a. Equity b. Equity Derivatives c. Currency Derivatives (including Interest Rate Derivatives) d. Commodity Derivatives e. Debt
9	NSE IFSC Ltd.	Unit No. 1201, Brigade International Financial Centre, 12th Floor, Block-14, Road 1-C, Zone-1, GIFT-SEZ, Gandhinagar, Gujarat 382355 Website : https://www.nseifsc.com/ 	May 28, 2020	a. Equity Derivatives (Equity Index Derivatives & Single Stock Derivatives) b. Currency Derivatives c. Commodity Derivatives d. Debt Securities (Masala Bonds)