Capital Market & Instruments

Topics

- Evolution of Capital Market in India
- Primary Market Operations
- Secondary Market Operations
- Products of Capital Market
- Regulation of Capital Market in India

Capital Market

- Capital markets play an important role in financing the long term financial needs of the corporate entities, thereby directly contributing to the development of commerce and Industries in an economy. Capital markets also attract the attention of foreign investors who can bring in huge capital inflows in the form of institutional Investments.
- The growth of capital market in any economy is directly influenced by the amount of domestic household savings that gets into it. Apart from the savings it is the investment climate that boosts the formation of new companies and growth of existing companies highly influences the growth and successful functioning of the capital markets.
- Capital markets plays the following functions in an economy
  - To boost investments though mobilization of financial resources
  - It facilitates the realization of fair value of the securities
  - To facilitates purchase and sale of securities
- A capital market is segmented into two markets which are dependent on one another. They are
  - Primary Market and
  - Secondary Market

Capital Market contd..

Primary Market

- In this market financial resources are mobilized by corporate companies by issuing fresh capital through Initial Public offer or Follow-on Public offer.
- It is through Primary market companies get the capital to finance their business operations, new projects and other business plans. Primary market helps in the creation of secondary market for the securities issued in primary market.

Secondary Market

- In secondary market, securities issued in the primary market are traded through stock exchanges. It is in secondary markets a security discovers its fair value.
- Any changes that are happening in a company, industry or an economy are reflected immediately in the prices of the securities that are traded in this in the secondary market.

Capital Market and its Constituents

- It is understood that how important is a capital market to an economy in its development. The current state of growth and development are directly reflected the capital markets.
- Hence to understand the functioning of capital markets it is important to know and understand its constituents.
- Broadly any capital market is constituted of the following players.
- Fund Raisers
- Fund Providers
- Intermediaries
- Organizations
- Regulatory Bodies

Capital Market and its Constituents contd..

Fund Raisers

- Fund Raisers are companies that raise funds from domestic and foreign sources, both public and private. The following sources help companies raise funds.

Fund Providers

- Fund Providers are the entities that invest in the capital markets. These can be categorized as domestic and foreign investors, institutional and retail investors. The list includes subscribers to primary market issues, investors who buy in the secondary market, traders, speculators, FIIs/ sub-accounts, mutual funds, venture capital funds, NRIs, ADR/GDR investors, etc.

Capital Market and its Constituents contd..

Intermediaries

- Intermediaries are service providers in the market, including stock brokers, sub-brokers, financiers, merchant bankers, underwriters, depository participants, registrar and transfer agents, FIIs/ sub-accounts, mutual Funds, venture capital funds, portfolio managers, custodians, etc.

Organizations

- Organizations include various entities such as MCX-SX, BSE, NSE, other regional stock exchanges, and the two depositories National Securities Depository Limited (NSDL) and Central Securities Depository Limited (CSDL).

Market Regulators

- Market Regulators include the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), and the Department of Company Affairs (DCA).

Role and importance of Capital Market

Capital markets in India didn’t attract much attention from international markets before liberalization started. Once the fruits of economic reforms started ripening, investments from domestic as well as foreign investors flooded Indian capital markets.

The role and importance of a capital market in an economy are discussed below

- Capital markets acts as an important source of long term finance for the corporate
- They act as an important channel for placing the investments to investors
- Capital markets facilitate companies to allocate employee stock options to their employees.
- Disinvestments, Mergers and Acquisitions in companies issued equity share capital can be routed through capital markets
- Capital markets act as a good avenue for aggressive investors who are willing to take high risk in their quest for achieving higher returns
- Capital markets helps in finding investors who are ready to invest in new companies, which are finding it difficult to get debt based finance from financial institutions

Role and importance of Capital Market contd..

- Capital markets facilitate good corporate governance practices among corporate companies as they are bound to disclose the information about the company's functioning to its investors in order to gain their confidence.
- Capital markets become an easy exit option for Private Equity and Venture Capital firms if they want to sell their holdings if the firm in which they made investments gets listed in capital market
- Capital markets act as a best source of finance for a company taking up projects involving high capital expenditure as the gestation period for these projects is going to be higher debt financing to take up these projects become very expensive for the company and also take longer time to realize profits from them
- Capital markets reflect the growth prospects and the current state of an Economy's development. A strong and efficient capital market helps in the progress of an economy
- Capital markets also help in attracting investments from foreign nationals in the form of institutional investments.
- Capital markets facilitate the participation of retail investors to park their household savings in the capital markets instead of routing them through financial intermediaries. The investors will have a chance to invest in the companies of their choice rather than going with the choices of the financial intermediaries

Evolution of Capital Market in India

- The evolution of Capital Markets in India started when the trading of securities of East India Company started in 18th century. Kolkata (Calcutta) and Mumbai (Bombay) remained the two key centers for trading but the trading in securities was not organized. Mumbai has been an important centre for supply of cotton since then and hence it became a key trading centre for securities. The trading at these centers also witnessed trading in bank shares.
- The British government then was not interested in the growth of India's economy and hence the organization and development of capital markets in India could not happen as it was supposed to grow. Hence the companies were forced to depend on capital market at London to raise the funds instead of raising from Indian Capital market.
- The reputed stock exchange in India i.e. Bombay Stock Exchange (BSE) was formed through an informal association of few stock brokers, who were the epicenter of the trading activity. The recognition to BSE came in the year 1927. Followed by the establishment of BSE, stock exchanges came up in other cities like Ahmedabad and Calcutta.
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Evolution of Capital Market in India contd..

- Once India secured Independence from British government it took considerable amount of time for capital market to grow. Because the five year plans in the initial years focused on growth in the Agriculture sector and Government owned companies. Since the economy was highly regulated then the support system for the growth of private companies was not in the expected lines. Because of the strict control regime private companies didn’t come forward to list themselves in the capital markets.
- The retail participation in Indian capital markets in the early years of post independence era was more towards scrips like Tats Steel, Bombay Dyeing, Century Textiles few others operating in textile industry. This era was characterized by rampant speculation and defaults in payments. This forced the government to enact two important legislations
- The Companies Act, 1956
- Securities Contracts (regulation) Act, 1956

Evolution of Capital Market in India contd..

- Early 1960s saw some good changes in the capital market scenario. Unit Trust of India started India’s First mutual fund in the year 1964. Also the government owned insurance companies Life Insurance Corporation of India (LIC) and General Insurance Company (GIC) started investing in corporate and has emerged as the key sources of finance in India.
- The next ride of investments and participation were heavily influenced by the entry of Reliance Industries into capital markets in 1980s. There was a craze among the retail investors to own the equity shares of Reliance Industries. Then the Harshad Mehta Scam in 1992 before the start of economic reforms dented the participation of retail investors for a while. To regulate the functioning of capital markets and to prevent scams of such nature in future SEBI was commissioned in the same year through SEBI Act, 1992.
- Once the economic reforms started paying rich dividends there is no looking back for Indian capital markets. In the year 2000 internet trading was launched and made trading easier for the investors. Since then the capital markets are evolving with the continued reforms in the Indian economy and are playing a key role in the growth and development of the economy.

Primary Market Operations

- In a primary market, companies, governments or public sector institutions can raise funds through bond issues and corporations can raise capital through the sale of new stock through an initial public offering (IPO). This is often done through an investment bank or finance syndicate of securities dealers. The process of selling new shares to investors is called underwriting. Dealers earn a commission that is built into the price of the security offering, though it can be found in the prospectus.
- Instead of going through underwriters, corporations can make a primary issue or right issue of its debt or stock, which involves the issue by a corporation of its own debt or new stock directly to institutional investors or the public or it can seek additional capital from existing shareholders.
- Since the securities are issued directly by the company to its investors, the company receives the money and issues new security certificates to the investors. The primary market plays the crucial function of facilitating the capital formation within the economy. The securities issued at the primary market can be issued in face value, premium value, and at par value.
- Once issued, the securities typically trade on a secondary market such as a stock exchange, bond market or derivatives exchange.

Secondary Market Operations

- In a secondary market no fresh capital is issued.
- Any entity or an individual who could not buy the capital that is issued in the primary capital market can buy it in the secondary capital market.
- These transactions are normally held in market places which are called as Stock exchanges.
- The ownership of the capital that is issued in the form of securities is regularly traded in these stock exchanges.
- Stock exchanges in India operate in a highly regulated environment especially under the purview of Securities and Exchange Board of India (SEBI).
- SEBI consistently monitors the operations, the underlying rules and regulations of stock exchanges so that investor participation, confidence and protection is restored.
- The post reforms period in India led to high investor participation in capital markets.
- Coupled with the increased penetration of technology, computer literacy and internet, economic reforms facilitated greater participation from retail investors to trade in secondary markets.

Products of Capital Market

- Fund raisers can use the following instruments to raise capital from capital markets
- 1. Equity Shares
- 2. Preference shares
- 3. Bonds
- 4. Debentures
- 5. Derivatives
- 6. Depository Receipts
- 7. Mutual Funds
- 8. Exchange Traded Funds

Products of Capital Market contd..

Equity Shares

- Equity shares represent the ownership in a company which issues them. Each shareholder depending on the shares they hold get fractional ownership and eventually become the company's member with voting rights at all general meetings conducted by the company.

Preference Shares

- A preferential share which gives the owner not only ownership on the company but also a preferential right to
  - Dividend payment
  - Repayment, whenever the company decides to close its operations
- Generally a company can issue the following preference shares
  - Cumulative Preference Shares
  - Non-Cumulative Preference shares
  - Participating Preference Shares
  - Non-Participating Preference Shares
  - Redeemable Preference shares
  - Convertible Preference Shares

Preference Shares

Cumulative Preference Shares

Generally for preference shares, whenever the company decides to pay dividend, they will be given first claim. If the company doesn't declare any dividend for whatsoever reason, till the time the company declares dividend, it get accumulated and it will be given first preference at the time of dividend distribution. In case if the company dissolves its operations, until unless it Is not mentioned in their articles of association, the investor holding these shares have to forego the accumulated arrears of dividend.

Non-Cumulative Preference shares

In the case of non-cumulative preference shares accumulation of dividend doesn't happen if it doesn't pays the dividend to its shareholders. If the company decides to pay the dividend, they may have first claim but is no concept of paying dividend arrears. There should be clearly mentioned in the articles of association that if by any chance the company dissolves preference shareholders will be first claim on the proceeds, otherwise these shareholders will not be paid anything, as it is not obligatory on the company's part.

Preference Shares contd..

Participating Preference Shares

These shares are entitled to take part in surplus profit, as per the terms and conditions specified at the time of issue. This entitlement is over and above the dividend that has already been paid initially alongwith common stockholders. Surplus profit is the amount left over after the payment of dividend to its shareholders. If the provisions at the time of issue permit, these shareholders are entitled to bonus shares as well.

Non-Participating Preference Shares

If it is a participating preference share, it is specifically mentioned at the time of issue. If it is not mentioned, then any preference share is a non-participating preference share.

Redeemable Preference shares

As the name itself says, these shares are redeemed after specified time and the shareholders should be paid cash. The time period is defined as per articles of association. No company can issue preference shares which cannot be redeemed.

Preference Shares contd..

Convertible Preference Shares

These shares are referred as quasi equity shares because at the time of conversion from preference shares to equity shares, if it is not clearly specified in terms and conditions at the time of issue of these shares, the shareholders will not get any specific rights, which happens in the case of common stock or equity like

- Bonus shares
- Higher dividend
- Voting rights etc

If it is specifically mentioned at the time of issue of these shares, they are converted into equity shares with all special rights a common equity share gets. Hence they are called as Convertible Preference shares. At the time of conversion, companies may charge premium as per the terms and conditions.

Bonds

A bond is a loan given to fund seeker by an investor or fund giver. It is a fixed income instrument where an investor gets periodic payments of interest or a lump sum interest along with principal at the time of maturity. Similar to shares bonds are traded in secondary markets in their debt segment. Bonds can be issued by government or corporate companies.

Bonds can be classified into the following categories based on their underlying features.

- Zero Coupon Bonds
- Easy Exit Bonds
- Disaster Bonds
- Commodity Bonds
- Deep Discount Bonds
- Carrot and Stick Bond
- Stepped Coupon Bond
- Option Bonds
- Industrial Revenue Bonds
- Pay in Kind Bonds
- Tax Free Bonds
- Capital Indexed Bonds and
- Floating rate Bonds

Bonds contd..

Zero Coupon Bonds

These bonds are sold at a discount on their actual face value at the time of issue. On maturity the investor is paid only the maturity value but no interest or coupon payment is made in between. Hence it is called as Zero Coupon Bond. If the discount offered is very high it is called as deep discount bond.

Easy Exit Bonds

These bonds come with relatively an easier and quicker way to redeem as and when the investor decides to redeem. This enhances the liquidity of his money invested for the investor. Generally the issuing entity will have enough cash reserves to accommodate this arrangement and hence come with low risk and because of the same, they are graded high and attract more investments.

Disaster Bonds

The entities issuing these bonds are engaged in the business of insurance who wish to raise the capital by aligning the returns with the business risk i.e. losses. If the insurance entity makes heavy losses, then investor of this bond is expected to make less return. So, higher the probability of a disaster, low will be the chances of earning high on these bonds. The investors are attracted by the interest rate paid on these bonds, which are dependent on the probability associated with the disaster and the entity's ability to default on payments.

Bonds contd..

Commodity Bonds

A commodity-backed bond is a type of bond whose value is directly related to the price of a specified commodity. Most bonds have a fixed value determined at the time of purchase. This value is a combination of the bond's face value and its interest rate, both of which are set at the time of issue.

A commodity-backed bond, however, will experience fluctuations in value when the price of the specified commodity rises or falls. The bond's issuer determines how the bond's value will change with the price of the commodity. Some commodity-backed bonds gain or lose face value with the commodity's price. For others, the interest rate changes.

These bonds are generally issued by the companies that produce the associated commodity. Some of the commodities that bonds may be linked to include oil, gold, and coal. Investors tend to purchase commodity-backed bonds as a form of speculation when they believe that the price of that commodity will rise.

Deep Discount Bonds

Deep discount bond is a bond issued at a high discount amount on its face value. It is infact a zero coupon bond with high discount. These bonds are considered to the safest as there is a fixed income that is available with high returns on maturity. But the maturity proceeds with respect to interest component are subjected to tax. Because of the prospects of earning high income with low levels of risk they are rated high by the rating agencies.

Pay in Kind Bonds

In this type of bonds, the investor is not paid coupon or interest, rather additional bonds are issued to the investor in lieu of coupon or interest payment. The additional bonds issued are called as baby bonds.

Bonds contd..

Carrot and Stick Bond

A convertible bond that comes with a carrot-and-stick provision. Differently stated, its carrot provision provides for a low conversion premium to allure holders to exercise conversion earlier than usual (the carrot). The stick provision allows the issuer to call the bond at a specified premium if the common stock of the issuer is trading at a certain percentage above the conversion price (the stick). This structure combines both rewards and punishments and it is up to the holder to go either course as its investment policy dictates.

Option Bonds

In this type of bonds, the investor is given an option to receive the interest or coupon payments either on fixed period basis, which are non-cumulative payments, or at one go at the time of maturity, where all interest payments are cumulatively paid. Apart from the terms of payment of coupon or interest amount, investors will be paid maturity premium so that the numbers of investors who buy this bond will go up

Industrial Revenue Bonds

If a fund seeker or a company is planning to expand his business by making some capital expenditure to construct a new facility or building he issues this type of bonds to raise the capital. If there is an incentive or tax concession is associated with that capital expenditure then it will be more beneficial for the investor as he is expected to get higher returns on account of the same.

Bonds contd..

Tax Free Bonds

If the interest paid on the bonds is tax free then these bonds are categorized as Tax free bonds. These bonds are targeted at those investors who are already paying high tax on their earnings but at the same time wants to make money out of those investments by paying no additional tax on the interest earned.

Capital Indexed Bonds

The interest rates in any economy are highly influenced by the prevailing rate of inflation. If the inflation rates are high the investor of the bond will end with low returns. Capital indexed bonds are those bonds which address the increase in inflation and protect the investor from losing the returns.

Floating rate Bonds

If the interest rate payment on bonds is adjusted to market conditions rather than keeping them fixed or unidirectional then those bonds are called as Floating rate Bonds.

Stepped Coupon Bond

In this type of bonds, the interest rate payable on the bond is not fixed. Either it periodically goes up or goes down as per the prevailing interest rate scenario in the economy. If the interest rates are expected to go up then the investor will fetch high returns. Alternatively he will lose returns if the interest rates are expected to go down

Debentures

Debentures

Debentures are the long term debt instruments issued by the fund seekers to finance any project or a capital expenditure.

Debentures are similar to bonds but they are different from bonds in the following ways

Bonds are secured in nature as they are backed by a collateral or a physical asset, whereas Debentures can be secured or unsecured but are generally unsecured in nature

•Comparatively the risk associated with Bonds is less when compared to Debentures and hence the expected returns on Debentures are high when compared to Bonds.

•If a company issues both the bonds and debentures, investors in bonds are given preference over investors in debentures if the company goes for liquidation.

•Debentures are issued by private companies whereas bonds are issued by both government as well as private entities

•Debentures have the option of getting converted to equity whereas Bonds can never be converted to equity shares.

Debentures contd..

Types of Debentures

Debentures can be classified in to the following depending on their underlying features.

- Bearer Debentures
- Redeemable Debentures
- Registered Debentures
- Secured Debentures
- Perpetual Debentures
- Naked or Unsecured Debentures

Bearer Debentures

The debentures which are payable to bearer and whose names do not appear in the register of debenture holders are known as “Bearer Debentures”. Coupons for interest are attached to the document and interest is paid to the holders as it falls due. Bearer Debentures are transferably by mere delivery.

Debentures contd..

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Redeemable Debentures

Redeemable Debentures: These are the debentures which the company has issued for a limited period of time. On completion of the time for which they were issued, principal amount will be returned to the debentureholders (that means redemption of debentures). For example ABC Ltd. issued on 1.1.2010, 1000 10% debentures of Rs.100 each redeemable after 5 years. Now ABC Ltd will have to return this money on completion of 5 years from the date of issue. So on 31.12.2014 these debentures will be redeemed i.e. the money will be returned to the debentureholders.

Registered Debentures

These are the debentures that are registered with the company. The amount of such debentures is payable only to those debenture holders whose name appears in the register of the company.

Secured Debentures

These are the debentures that are secured by a charge on the assets of the company. These are also called mortgage debentures. The holders of secured debentures have the right to recover their principal amount with the unpaid amount of interest on such debentures out of the assets mortgaged by the company.

Debentures contd..

Naked or Unsecured Debentures

Debentures which do not carry any security with regard to the principal amount or unpaid interest are unsecured debentures. These are also called simple debentures.

Perpetual Debentures

These are the debentures which are not redeemed in the life time of the company. Such debentures are paid back only when the company goes to liquidation.

Debenture Categories based on convertibility

As mentioned above, debentures have the option of getting converted to equity shares. In terms of this convertibility debentures can be classified into 3 types.

- Fully Convertible Debentures
- Partly Convertible Debentures
- Non-Convertible Debentures

Fully Convertible Debentures

A fully convertible debenture (FCD) is a type of debt security in which the whole value of the debenture is convertible into equity shares at the issuer's notice. The ratio of conversion is decided by the issuer when the debenture is issued. Upon conversion, the investors enjoy the same status as ordinary shareholders of the company.

Debentures contd..

Partly Convertible Debentures

Partly convertible debentures are convertible debentures that are converted into equity shares in the future at notice of the issuer. Part of such debentures will be redeemed by the issuing company after a specified period of time and part of it will be convertible into equity or preference shares at the end of the specified period. The issuer decides the ratio for conversion, usually at the time of subscription

Non-Convertible Debentures

Investors are forever on the lookout for improved and more sustainable schemes. The market volatility, sometimes, even makes traditional and trusted investments lose their sheen. Here, Non-Convertible Debenture or NCD proved to be a dark horse when they started delivering smaller but steady returns over time.

Like traditional corporate FDs, NCD too is a fixed-income investment with a specific term and interest income. Companies issue them to raise funds, and evidently you cannot convert it to equities. To make up for this limitation, investors enjoy supreme returns, liquidity, low risk and tax respite as opposed to convertible debentures.

Derivatives

A financial contract or an instrument which derives its value from the value of the underlying asset. The underlying asset can be a stock, bond, commodity, currency, market index, interest rates etc. Derivatives can be classified into segments. They are

- Forwards
- Futures
- Options

Forwards

A forward contract is a customized contract between two parties to buy or sell an asset at a specified price on a future date. A forward contract can be used for hedging or speculation, although its non-standardized nature makes it particularly apt for hedging

Futures

Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. Here, the buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

Underlying assets include physical commodities or other financial instruments. Futures contracts detail the quantity of the underlying asset and are standardized to facilitate trading on a futures exchange. Futures can be used for hedging or trade speculation.

Derivatives contd..

Options

Options are financial instruments that are derivatives that are based on the value of underlying securities such as stocks. An options contract offers the buyer the opportunity to buy or sell—depending on the type of contract they hold—the underlying asset. Unlike futures, the holder is not required to buy or sell the asset if they choose not to.

- Call options allow the holder to buy the asset at a stated price within a specific timeframe.
- Put options allow the holder to sell the asset at a stated price within a specific timeframe.

Each option contract will have a specific expiration date by which the holder must exercise their option. The stated price on an option is known as the strike price. Options are typically bought and sold through online or retail brokers.

American options can be exercised any time before the expiration date of the option, while European options can only be exercised on the expiration date or the exercise date. Exercising means utilizing the right to buy or sell the underlying security.

Depository Receipts

- Global Depository Receipts
- Foreign Currency Convertible Bonds
- Indian Depository Receipts

Global Depository Receipts

A global depository receipt (GDR and sometimes spelled depositary) is a general name for a depository receipt where a certificate issued by a depository bank, which purchases shares of foreign companies, creates a security on a local exchange backed by those shares. They are the global equivalent of the original American depositary receipts (ADR) on which they are based. GDRs represent ownership of an underlying number of shares of a foreign company and are commonly used to invest in companies from developing or emerging markets by investors in developed markets.

Prices of global depositary receipt are based on the values of related shares, but they are traded and settled independently of the underlying share. Typically, 1 GDR is equal to 10 underlying shares, but any ratio can be used. It is a negotiable instrument which is denominated in some freely convertible currency. GDRs enable a company, the issuer, to access investors in capital markets outside of its home country

Depository Receipts contd..

Foreign Currency Convertible Bonds

- A foreign currency convertible bond (FCCB) is a type of convertible bond issued in a currency different than the issuer's domestic currency. In other words, the money being raised by the issuing company is in the form of foreign currency.
- A convertible bond is a mix between a debt and equity instrument. It acts like a bond by making regular coupon and principal payments, but these bonds also give the bondholder the option to convert the bond into stock.

Indian Depository Receipts

- Indian Depository Receipt (IDR) is a financial instrument denominated in Indian Rupees in the form of a depository receipt. The IDR is a specific Indian version of the similar global depository receipts.
- It is created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.[1] The foreign company IDRs will deposit shares to an Indian depository.
- The depository would issue receipts to Indian investors against these shares. The benefit of the underlying shares (like bonus, dividends etc.) would accrue to the depository receipt holders in India.

Other Capital Market Products

- Commodity products
  - Metals
  - Energy
  - Agriculture
  - Livestock and meat
- Commodity Exchanges in India
  - MCX
  - NCDEX
  - NMCE
  - ICEX
  - ACE
  - UCX
- Mutual funds
- Exchange traded funds

Regulation of Capital Market in India

- It is very important for the economic growth of a nation to have a capital market which smoothly functions. Hence there should be proper regulations and norms in place to facilitate its smooth functioning. The following regulations governs the functioning of capital markets in India
- • SECURITIES CONTRACTS ACT, 1956
- • SEBI ACT, 1992
- • DEPOSITORIES ACT ,1996
- • COMPANIES ACT, 2013
- Of all these acts SEBI ACT, 1992 is an important act regulating the capital market operations in India. As a part of this ACT, Securities and Exchange Board of India (SEBI) has been established with the following powers
- • To promote the development of Capital Market
- • To regulate the operations of the Capital Market
- • To protect the interest of the investor community who participates in the capital market

Regulation of Capital Market in India

- SEBI has played a prominent role since its inception to boost the confidence of investor community by taking the following policy level initiatives
- Companies listed in the capital markets should compulsorily include the business responsibility report as a part of their annual report filings
- SEBI mandated to grade IPOs before they are floated by the companies. A credit rating agency should be approached by the company who wish to go for an IPO and get it graded.
- All security transactions held in the Indian capital markets should essentially bear the Permanent Account Number (PAN) of the entity engaging in the transaction
- SEBI setup the guidelines for the companies which are planning to raise capital through issue of Indian Depository Receipts
- It is on the recommendation of SEBI, Gold Exchange Traded Funds were launched in India.
- SEBI took numerous policy initiatives to revamp the Corporate Debt Market operations in India.
- SEBI actively participates in promoting awareness of capital markets among existing as well as new investors so that the participation in these markets increase
- SEBI lifted the ban on options trading in securities so that investors have more options to manage the risk associated with capital market instruments.

Thank You