Financial Markets

Financial Systems and Financial Markets

1. Investment bankers provide corporate advisory services, issue of securities.
2. Underwriters provide subscription to unsubscribed portion of securities.
3. Registrars handle issue securities to the investors on behalf of the company and the share allotment and transfer activity.
4. Discount and Finance House of India (DFHI) started offering a two-way quote in government securities with the interest of developing a secondary market.
5. The role of financial system can be broadly classified into the following:
   a. Savings Function: Financial systems mobilize savings in a way to provide a potentially profitable and low risk outlet.
   b. Policy Function: Through the policy function, the government ensures a smooth flow of funds from savings into investments in order to stabilize the economy.
   c. Credit Function: Here, the financial system ensures the transformation of savings to necessary credit for investment and spending purposes.
6. Ways and Means Advances (WMAs)
   a. WMA is not a permanent source of financing government deficit
   b. Withdrawals in excess of the WMAs limit will be allowed for a maximum of 10 consecutive days
   c. Clean WMAs are unsecured in nature
   d. The limit of WMAs is decided in terms of mutual consultations between the RBI and the central government
   e. The outstanding balance of WMAs at the end of the year should be repaid by the central government.

Investment Scenario

7. The issue, interest payment and transfer of semi-government securities are handled by the commercial banks for the fee.
8. Corporate debentures have an issue price at which they are originally issued, a coupon interest rate and a specified maturity date.
9. If the issuer wants to roll over its non convertible portion of PCDs, he will have to obtain fresh credit rating within the period of 6 months prior to the date of redemption.
10. The indenture is a legal document describing in considerable detail the contractual relationship between the issuing company and the debenture holder.
11. The threshold limit for total FII investment in an Indian company is 49%.
12. The best estimate of the intrinsic value of an asset is its economic value.
13. Speculative blow off: After a slow expansion over a period, sometimes both prices and volume work into an exponential rise. This is indicative of heavy off-loading by bulls and marks the end of the bull market. Price and volume both fall sharply after this development. Termination of a bear market is often signalled by a selling climax. A selling climax occurs when prices fall for a considerable time at an accelerated pace and are accompanied by expanding volume.
14. Companies can use share purchase, white knight, poison pills, corporate charter amendments, golden parachute, greenmail, standstill agreements, poison puts, white squire, pacman strategy, crown jewels as defensive measures against takeover.

Credit Markets

15. Cash credit facility is provided by banks for financing working capital needs of corporate and is repayable on demand.
16. Intermediaries base their lending decisions based on cost of funds, transaction costs and required spreads.

Money Markets

17. Objective of Statutory Liquidity Ratio (SLR) is to
    a. Restrict the expansion of bank credit.
    b. Augment the investment of the banks in government securities.
    c. Ensure solvency of the banks.
18. Risks associated with money market are market risk, reinvestment risk, currency risk and default risk.
19. Financial institutions can act only as a lender in the call market.
20. 'Term Money' is lent for more than 14 days.
21. Call rates under normal liquidity conditions are the cap rates for the term money market.
22. Notice money is borrowings for a period of one day up to a fortnight but they do not have a specified repayment date when the deal is entered. The lender will simply issue a notice to the borrower 2-3 days before the funds are to be repaid.
23. Call loans in US are extended by banks to security brokers for buying common stock and to dealers in government securities.
24. Treasury bills are issued at discount and yields on T-bills are considered as a representative of interest rates in economy. They are issued through auctions conducted by RBI on every Friday for a notified amount. Treasury bills are eligible for meeting SLR requirement not CRR.
25. In US, non-competitive bids are submitted by small investors, and their biding amount is limited to $1m or less.
26. In case of non-competitive bidders, the bids are accepted at the weighted average of the successful bids if the notified amount is not fully subscribed to.
27. Strip bills are a package of bills requiring investors to bid for an entire series of bills with different maturities. Hence they form a part of irregular series bills.
28. Commercial Paper
    a. Is short term unsecured usance promissory notes issued at a discount to face value by reputed corporates with high credit rating and strong financial background?
    b. A CP can be issued with a minimum size of Rs.5 lakhs and in multiples of Rs.5 lakhs.
    c. A company issuing commercial paper should acquire a minimum credit rating of P-2 from CRISIL
    d. Does not originate from a specific self-liquidating transaction.
    e. Issued to the investors through intermediaries is called dealer paper.
    f. Constitutes a cheap source of funds to corporates when compared to bank finance.
    g. Is highly liquid as it is negotiable / transferable instrument.
    h. Companies prefer CPs due to less paperwork and other formalities.
    i. Is not backed by any assets and hence it is unsecured.
    j. Any pvt sector company, public sector unit, non-banking company, Indian Financial Institutions (FIs), Primary Dealers (PDs), Satellite Dealers (SDs) etc can raise funds via CPs.
    k. A corporate would be eligible to issue CP provided the tangible net worth of the company, as per the latest audited balance sheet, is Rs. 4 crore, the company has been sanctioned working capital limit by bank/s or All India Financial Institutions, and the borrowal account of the company is classified as a standard asset by financing bank/s or institutions.
    l. The RBI insists a fresh rating which should not be more than 2 months old.
    m. CP has a min maturity period of 15 days and a max of 364 days.
    n. Brokerage on issue of CP is on % of the issue amount which is 0.025% for 3 months, 0.050% for 6 months and 0.1% for more than 6 months.
    o. Asset Backed Commercial Paper sells at virtually no or very little risk premium. Sometimes, an outside surety is also involved in the transaction. An organization with low credit rating or no credit rating can also access finance through this paper.

p. Stamp duty on CP and CD

Period	CP: Eligible class of investor is 1st subscriber [In Rs per Rs. 1000]	CD: [per Rs. 1000].
Up to 3 month	0.50	1.25
3 months – 6 months	1.00	2.50
6 months – 9 months	1.50	3.75
9 months – 12 months	2.00	5.00

29. Certificate of Deposits
    a. Are usance promissory notes, negotiable and in marketable form bearing a specified face value and number.
    b. The floor rate for CDs is fixed by short term deposit rates and the ceiling for CDs is set by CPs.
    c. a CD can be issued with a minimum size of Rs.1 lakhs and in multiples of Rs.1 lakhs.
    d. Regional rural banks and local area banks are excluded from issuing CDs.
    e. Banks can issue CDs for a minimum period of 15 days to a maximum of one year, whereas a financial institution can issue it for a minimum of one year and a maximum of 3 years.
    f. CDs offer assured availability of funds for specific period and interest is determined on a case to case basis.
    g. The min lock-in period for transfer is 15 days, and there is no premature buy-back. To sell CDs, investors much approach the secondary market.
    h. Jumbo CDs are issued by savings and loan associations in large volumes such as > $1,00,000.
    i. due to their negotiable nature, they are also known as negotiable certificate of deposits.
    j. They attract stamp duty.
    k. Are always issued at discount.
    l. Form a part of time liabilities.
    m. Banks are not allowed to grant loan against CDs and no grace period is allowed on repayment.
    n. Asian Dollar CDs carry both fixed and floating interest rates.
    o. Yankee CDs are issued by foreign banks in US.
    p. Thrift CDs are issued by savings and loan associations in denominations of $1,00,000 so that they can be covered under the Federal Deposit Insurance Corporation (FDIC).
30. Bills of Exchange
    a. A demand bill is payable immediately ‘at sight’ or ‘on presentment’ to the drawee.
    b. An inland bill is drawn or made in India, and payable in India. It can also be drawn on any person resident in India.
    c. Bill which is payable at a specified later date is called a usance bill.
    d. Delivery just against acceptance (D/A) are bills on the basis of whether the documents are deliverable just against acceptance and become a clear bill immediately after for delivery of documents.
    e. Accommodation Bill: when a bill is accepted by drawee without receiving consideration.
    f. Bill which is accompanied by documents of title to goods such as railway receipt/lorry receipt/bill of lading is called a documentary bill.
    g. Bill which is not accompanied by any such documents of title of goods is called a clean bill.
31. Recommendations of Chore committee in order to promote bill culture in India:
    a. Making it compulsory for banks to extend at least 50% of the cash credit limit against raw materials to manufacturing units by way of drawee bills.
    b. Setting up the DFHI as a major financial institution for the development of the money market including the market for commercial bills.

32. The bills to be eligible for rediscounting by IDBI should be drawn, made, accepted or endorsed by an industrial concern as defined by the IDBI Act, 1964.
33. Vaghul Committee
    a. On its recommendations the central govt has notified remission of the stamp duly on bills of exchange.
    b. The RBI has set-up the DFHI as a major financial institution for the development of the money market.
34. The minimum success ratio for the PDs should be 40% for T-Bills.
35. The specific objective of Satellite Dealers (SD) is to promote retail investment.
36. The turnover ratio of a primary dealer can be calculated as (Total purchases + Total Sales)/ (Average of month-end stock)

Debt Market

37. In India, Govt of India securities include debt obligations of the central govt, state govt and other financial institutions owned by Central and state govts. Gilt-edged security means 'security of the best quality'.
38. NRI, FII registered with SEBI, Overseas corporate bodies, provident funds are eligible to invest in Govt securities.
39. Short dated Govt securities mature within 5 years.
40. The government-dated securities are not issued at discount. They carry coupon rate.
41. In case of dated securities, total devolvement on PDs is 25% of total short fall.
42. There is no prescribed settlement period in case of debt market as is found in the capital market. Hence, the deals may be entered for settlement on the same day or 1 or 2 days after the date of trading.
43. Stock on tap is issued by the RBI with predetermined price, maturity and coupon with no aggregate amount indicated in the notification.
44. Govt introduced REPOs in order to manage excess of liquidity in the system and also to even out interest rates in the call/ notice money market.
45. In Repo transactions, RBI will buy the securities in the first leg and sell them back.
46. Banks, DFHI, financial institutions and other non-bank entities (including Mutual Funds) holding both current and SGL account with RBI Mumbai, can participate in REPO transactions.
47. Public Deposits
    a. The min period is 1 year and the max maturity period for public deposits cannot exceed 60 months. However, a company for meeting its short-term requirements of funds, may accept or renew deposits for less than 3 months.
    b. The interest payable on public deposits cannot exceed 16% per annum.
    c. NBFCs cannot pay more than 11% p.a. interest.
    d. The max brokerage payable on a deposit up to 1 year is 1%, between one and two years is 1.5% and above 2 years is 2%.
    e. The total amount of public deposits that can be outstanding at any point of time cannot exceed 25% of the aggregate of paid-up capital and free reserves.
    f. The company shall maintain liquid assets to the extent of 15% of the deposits maturing during the financial year ending 31st March next. The amount held in liquid assets shall not at any point of time fall below 10% of the amount of outstanding deposits maturing before 31st Mar.
    g. In case of premature withdrawal of deposit, applicable interest rate is 1% less than the rate at which the company would have paid if the deposit had been accepted for the period for which the deposit had actually run. For example: if 3 yr deposit rate is 10% and investor demands premature

withdrawal after 2 years (2 yrs deposit rate is 8.5%), then investor will be given a interest at 7.5% (1% less than 8.5%).

48. Implicit guarantee: endorser of a bill liable as a guarantor to pay the holder wrt the debt represented by the instrument.
49. Delivery just against acceptance bills becomes a clean bill immediately after the delivery of the documents.
50. The premium payable by banks for insurance of deposits with DICGC is 0.025% per half year subject to an insurance on max Rs.1,00,000. If a deposit held in a name of a person individually and the same depositor also holds a deposit jointly with another person then they are treated as two different deposits.
51. DICGC undertakes insurance of deposits of banks, guarantee for credit extended by banks to priority sector, guarantee for credit extended by banks to small scale industries.
52. ECGC (Export Credit and Guarantee Corporation) covers following risks
    a. Insolvency of buyer.
    b. War, civil war, revolution or civil disturbances in the buyer's country.
    c. Cancellation of valid import license.
    d. Imposition of restrictions by the govt of the buyer's country.
53. Standard policy also k/a Shipments Policy is designed to cover risks in respect of goods exported on credit within 180 days.

Stock Markets

54. OTC Exchange of India first introduced screen based trading in India.
55. Companies with an issued capital ranging from Rs.3 lakh to less than Rs.3 crore are eligible to list their shares under OTCEI.
56. International Organization Of Securities Commission (IOSCO)'s Executive committee looks the day to day functioning of the organization and strives to attain the objectives
57. NSE was first to set up a clearing corporation in India.
58. NSE was established in the year 1992 and recognised as a stock exchange in 1993.
59. Market value used in calculating weights of various sectors is obtained by summing total no of shares.
60. Stock market indices & Contracts and orders for plant and equipment are leading indicators for economic analysis.
61. In analysis of price patterns a valid breakout can be confirmed, in most cases, if the penetration of the boundaries of a pattern is marked by price change equal to or more than 3%.
62. If the participants in the market are able to hedge their future risks effectively, that market is said to be full insurance efficient.
63. Banker's receipts are traded in money market.
64. National Securities Depository Limited (NSDL) and Depository Participants have important role in demat set-up.
65. Vyaj badla is referred to as funds provided by the badla financer to the short-seller to carry forward his position.
66. A trader has to pay undha badla when he participates more in speculative selling without being in possession of the share certificates to be delivered to the buyer who has the necessary funds.
67. Badla charges are market determined.
68. Hawala rate (also k/a making-up price or clearing rate) is the price at which buyers and sellers are to settle their speculative transactions at the end of the settlement. It becomes the basis for buying and selling for the investor opting for carry forward during next settlement. By varying the Hawala rate, the stock exchange officials can reduce the profits made by either bulls or bears depending on the situation.
69. For demat trading, the min market lot is 1 share.

70. The surplus amount of money or savings is the basic requirement for capital formation.
71. Companies under Z group indicate defaulted companies as per the listing agreements.

Capital Market Regulations

72. The max time for allotment is 30 days from the closure of the issue.
73. Issue below Rs 5 crore in size are permitted to be listed only on the OCTEI.
74. The upper limit for gross exposure for brokers has been fixed by SEBI at 20 times the base minimum capital and additional capital.
75. The maximum intra-day trading limit for a broker, as per SEBI is 33.33 times the base capital and additional capital.
76. Securities Investment Board (SIB) is the regulatory body for the securities market of UK.
77. Powers of SEBI under the SC(R) Act, 1956
    a. Grant of recognition to stock exchanges.
    b. Regulation and control of business of dealing in spot delivery contracts.
    c. Hearing appeals submitted by companies against refusal of a stock exchange to list their securities.
    d. Making or amending of rules or articles of association of a stock exchange regarding voting rights of the members of the stock exchange at any meeting.
78. 'Strategic Action Plan' was adopted by SEBI that enables more disclosure, a greater degree of enforcement and the strengthening of the capital market structure.
79. The committee to make regulatory framework for derivative trading in India was headed by Ghyanendra Nath Bajpai.
80. SEBI became a statutory body in the year 1992.
81. The total number of stock exchanges in India is 23.

Bonds with Warrants and Embedded Options

82. The straight value in case of a preferred stock is PV of the future dividends discounted at a rate equivalent to rate on identical securities without the conversion clause.
83. The purchaser of a warrant does not have equity rights in that company.
84. The warrants which are attached to the host debentures and can be exercised only, if the host debenture is surrendered are referred as wedding warrants.
85. If the issuer has the option to redeem the convertible security for cash, common stock, subordinated notes, or for a combination of the three, it is called soft put.
86. Convexity measures this sensitivity of duration to interest rate changes.
87. Volatility of a bond depends on its duration. If duration is greater, its volatility will also be maximum.
88. Larger the coupon rate, smaller the duration of bond.
89. Annual cash flow differential = Face value X Coupon rate – Conversion value X Dividend Yield
90. Callable Bond
    a. The price-Yield relationship of a non-callable or a non-puttable bond is convex in nature because price and yield are inversely proportional.
    b. Involves two transactions – purchase of a non-callable bond and a sale of a call option.
    c. In the case of callable bond, the cash flow does change with the interest rates.
    d. It becomes callable only when the prevailing market yield is less than the coupon rate on comparable bond.
    e. It is a convertible bond with a favourable feature of call option available to the issuer.
91. Puttable bond
    a. Investor acquires a right to exercise his option at predetermined price.
    b. Involves two transactions- purchase of a non-puttable bond and purchase of a put option on the bond purchase

c. Investor will exercise the put option when the market yield is greater than the coupon rate on the bond.
d. Price of the puttable bond is equal to the price of the non- puttable bond and price of the put option.

92. The market price of the warrant and the premium has an inverse relationship. i.e. as the market price of the share increases, the premium of the warrant decreases.
93. As the holder of warrants do not receive any dividends, declaration of dividends on the share makes them sceptical about the price resulting in a fall in the premium of the warrant.
94. Difference between the warrant price and the minimum value of the warrant is k/a warrant premium. If the current market price of the stock Ps is > the exercise price Pe, the minimum value is given by (Ps – Pe) x N .When the current market price of the stock is less than the exercise price, the min value is zero.
95. Premium over conversion value = (Bond Price – Conversion value)/ (Conversion value) ; where Conversion value = Current market price of the stock X Conversion rate
96. Current yield = coupon amount/market price of bond
97. Dividend yield = dividend/market price of share
98. Pay back period = [%Premium/(1+%Premium)]/[Current Yield – Dividend Yield/(1+%Premium)]
99. Option Adjusted Duration (OAD) is influenced by the ratio of price of non-callable bond to the price of callable bond.
    a. OAD = [Price of NCB/Price of CB] * [Duration of NCB] (1-Delta)

100. Option Adjusted Spread (OAS): The higher the expected interest rate volatility, the higher the OAS.
101. Fixed Rate Notes (FRN)
    a. Mini-Max FRNs consist of minimum and maximum coupons. Investors benefit in terms of high spread over the LIBOR but have to agree to minimum rate as well as a maximum rate on their noted, the differential between the two being very small. These are also referred to as collared FRNs.
    b. Flip-flop FRNs provides the holder an option of converting the FRN into a three month flat yield at the end of every six months.
    c. Mismatch FRNs have semi-annual interest payments though the actual rate is fixed monthly. Also known as Rolling Rate FRNs.
    d. Perpetual FRNs are irredeemable or unrated FRN's and are akin to a form of capital.
    e. Structured FRNs are issued for longer terms with variable interest spreads with margins over LIBOR for later maturities.
    f. Capped FRNs are pegged to an interest rate cap.

Foreign Exchange Market

102. In Indian forex markets, Authorized dealers can take a position in a currency on their own account. They are generally commercial banks and form a large part of the interbank market in India.
103. Option-forward is a forward contract entered for buying or selling over a period of time. The customer has option to ask for the contract to be settled any time during a particular period k/a Option period.
104. In Indian forex markets, all the merchant rates are rounded up to 2 decimals but interbank rates are rounded up to 4 decimals.
105. Exchange margin is added to ask rate and subtracted from bid rate.
106. An American quote is the number of dollars expressed per unit of any other currency and a European quote is the number of units of any other currency expressed per dollar.
107. A direct quote is the quote where the exchange rate is expressed in terms of number of units of the domestic currency per unit of foreign currency.
108. A Nostro account is a bank's account with a corresponding bank located in a foreign country.

109. A Loro account is a bank's account with a foreign correspondent bank, from a third party's point of view.
110. Settlement date for a spot transaction is the second working day from the date of the spot transaction. Value date cannot be shifted to next month in case transaction date is falling on 31st and value date is a 30 days month.
111. The currency of Philippines is peso.
112. When the swap points are in low/high order the forward rate is obtained by adding the swap points to the spot rate where as if swap points are in high/low order, the forward rate is obtained by subtracting the swap points to the spot rate.
113. Mid-rate is the arithmetic mean of bid and ask rate. The difference between bid rate and the ask rate is the bid-offer spread. Hence, the bid offer rate can be obtained by deducting and adding the average of the spread from and to the mid rates.
114. The transaction costs involved in the money market operations is the difference between the investment and the borrowing rate. Hence, the transaction costs are relatively less for spot transactions.
115. As per the RBI guidelines, full proceeds of payment of goods from India must be realized on the due date for payment or within six months from the date of shipment of the goods whichever is earlier. the payments for imports into India must be made within six months from the date of shipment in the case of cash payments.
116. The FIPB (Foreign Investment Promotion Board) was constituted for clearing cases involving foreign equity participation above 51% and those falling outside the 36 specified industry groups.
117. Tarapore committee was formulated to look into the matter of capital account convertibility in India. He recommended that strengthening of financial system is necessary for India to go in for capital account convertibility.
118. FEDAI fixes the commission charged by the bank for any foreign exchange transaction for the buyers of the sellers of foreign currency.
119. for the encashment of personal cheques, international money orders, demand drafts, bankers pay orders payable abroad, the applicable exchange rate is TT buying rate + Exchange margin of 0.15%.
120. All outward remittances will be affected at the contractual rate (if forward contract is booked) or at the TT selling rate.
121. TT selling rate is applicable for cancellation of a forward sale contract.
122. The flat charge that is levied by banks for every request from a customer for early delivery, extension or cancellation of a contract is Rs. 100.
123. A TOM rate quoted is for delivery on following day.
124. Eurodollar deposit is a deposit in US $ accepted by any bank outside US.
125. SWIFT: Society for Worldwide Interbank Financial Transaction.
126. FEDAI: Foreign Exchange Dealers Association of India.
127. BIS: Bank for International Settlements.
128. LERMS: Liberalized Exchange rate Management System
129. A settlement date is same as value date in forex market.
130. When market exchange rates are used, GDP of poor countries often tend to be overvalued due to the depreciation of exchange rates of the poor countries.
131. Devaluation is a reduction in the value of a currency dictated by the authorities and depreciation is a reduction in value of a currency caused by market forces.

Derivative Market

132. Margins are imposed on the writers of the option to provide immunity to buyer, broker, exchange and also option clearing corporation.
133. Margin paid on long position is equal to the premium on the option market.

134. The traders in a futures exchange, who tend to carry positions for longer period of time are known as position traders.
135. According to the Black & Scholes options pricing model, an increase in the term to expiration will increase the value of a put option.
136. In put-call parity, the pay offs of buying a stock can be replicated by buying a call and writing a put option.
137. The risk which arises due to the changes in the value of option for a change in the price of securities underlying the option is known as Greeks risk.
138. A currency swap is a combination of two positions: one spot and one forward with an exchange of currencies taking place at predetermined exchange rates.
139. Optimal stock index future hedge ratio = (portfolio value X Beta) / (Future price X multiplier)
140. If an investor wants to trade in forwards contract he can do so through/with a middleman who need not be a broker or another forward contract dealer.
141. The trader is required to replenish the margin, bringing it on par with the initial value whenever the level or value of funds on deposit with the broker, reach a certain level. This level is referred to as the maintenance margin. The additional amount, which the trader deposits with the brokerage firm is called 'variation margin'.
142. Initial margin is also k/a performance margin.
143. Basis = Current cash price – Future price
144. An option is the right to exercise without an obligation whereas future is the right to exercise with an obligation.
145. Derivatives trading commenced in India in June 2000.
146. Regulatory framework for derivatives trading in India was developed under the chairmanship of L.C. Gupta.
147. Contango: the condition in which the delivery prices of futures exceed the future cash prices.
148. A European call option can be exercised only on the expiration date where as an American option can be exercised on any future dates from the time of entering the contract unto the expiration of the contract.
149. The margin depends on the price volatility of the underlying. margin = $\bar{u} + 3\sigma$; where $\bar{u}$ is the average daily absolute change in the value of the contract and σ is the standard deviation of these changes measured over a period of time.

Commodity Markets

150. Commodities include all goods and articles excluding financial assets.
151. Agricultural Market, Metal Market and Energy Market are the three divisions of commodity market.
152. There are 3 national level commodity exchanges in India. They are Multi Commodity Exchange of India Ltd (MCX), National Commodity and Derivatives Exchange Ltd (NCDEX) and National Multi Commodity Exchange of India Ltd (NMCX).
153. Chicago Mercantile Exchange (CME) is the world's largest commodity exchange after merger of Chicago Board of Trade (CBOT) in Jul 2007.
154. Beneficiary owner account is used to hold and transact in commodity balance only.
155. Clearing member pool account is used for the purpose of the settlement of delivery obligation.
156. Forward Markets Commission (FMC) is the regulator of commodity markets in India.
157. Functions of Forward Markets Commission (FMC)
    a. To advice the central govt in respect of recognition or withdrawal of recognition from any association or in respect of any other matter arising out of the administration of the Forward Contracts (Regulation) Act, 1952.
    b. To keep forward markets under observation and to take such action in relation to them, as it may consider necessary, in exercise of the powers assigned to it by or under the Act.

c. To make recommendations generally with a view to improving the organization and working of forward markets.
d. To undertake the inspection of accounts and other documents of any recognized association or registered association or any member of such association whenever it considers necessary.

158. Powers of FMC
   a. Summoning and enforcing the attendance of any person and examining him on oath.
   b. Requiring the discovery and production of any document.
   c. Receiving evidence on affidavits.
   d. Requisitioning any public record or copy thereof from any office.
159. ICIN is generated on the uniqueness of the following four parameters: Commodity, Warehouse Location, Grade/ Fineness of the commodity, Validity date of the commodity.

Real Assets

160. Market value for income producing property is $MVo = \sum NOI/(1+r)t + MV/(1+r)n$
161. Valuation of real assets
   a. For a real asset which already exists, the application of market approach is more suitable.
   b. Property with same risk-return characteristics, application of income approach is more suitable.
   c. Asset which is to be brought and developed, the application of cost approach is more suitable.
162. Steps involved in the appraisal process of real assets:
   a. Defining the Problem
   b. Writing a report
   c. Collecting relevant data
   d. Making a survey and a plan
163. The micro factors are identified as physical characteristics like size, age, quality and location and leasehold/freehold.
164. Interest Rates, Population Demographics and Business cycle are the macro factors affecting the value of real asset
165. Location and type of property, ability to generate identical income and lease structure are considered for comparison of properties.

Mutual Funds

166. AMCs should have minimum net worth of Rs. 10 crore.
167. Settlements are done at the instance of AMC.
168. The important role played in establishing mutual fund trust is by Sponsors. Both the trustees and the fund managers or the asset management company (AMC) have to be located and appointed by sponsor. The sponsor has to appoint Board of Trustees and incorporate an AMC.
169. All the mutual funds should transact in the securities on the basis of deliveries. Under no circumstances, it should involve in short sales or carry forward transactions or engage in badla finance.
170. Public offering price = NAV / (1- sales charge)
171. The concept of mutual fund originated in the US.
172. The initial issue expenses may not exceed 6% of the fund raised under that scheme.

Other Funds

173. Investment horizon of pension funds is 25-35 years.
174. Basic state pension: a flat rate first-tier pension provided under the UK pension fund system.
175. Japanese pension fund system is a multi-pillar system.
176. UK pension system is a three pillar system.
177. The main five investment avenues for pension insurance companies are cash, long-term bonds, stocks, property and loans.

178. In case of pension funds, the amount by which the total assets of the company exceed the sum of its reserves is called as solvency capital.
179. Monthly pension under EPS = {pensionable salary *(pensionable year of service+2)}/70
180. Trustees
    a. Are people in control of long-term asset allocation of a pension scheme.
    b. Should consult the employer while determining their investment strategy.
    c. Task is to 'maximize returns within an acceptable level of risk'.
181. First hedge fund was established in 1949 in the US.
182. Hedge funds follow absolute return strategies.
183. Hedge funds use Relative value strategies (Equity market neutral, Fixed income arbitrage, Convertible Arbitrage, Mortgage Arbitrage, stock index arbitrage), Event-Driven Strategies (Merger/Risk Arbitrage, Distressed Securities, High yields, Regulation D) and Directional Strategies (Equity Long/Short
184. Relative value strategies are also known as non-directional strategies. These strategies attempt to locate profit relative pricing discrepancies between instruments such as equity, debt, option and future.
185. Fund of funds (FoFs) generally allocates capital of 15-30 hedge funds to achieve efficient risk diversification.

Regulatory Framework Abroad

186. Financial Services Authority is the UK's financial watchdog.
187. FSA board is responsible for the management of FSA.
188. ARROW: Advanced, Risk-Responsive Operating Framework
189. The Securities Act of 1933 and The Securities Exchange Act, 1934 were implemented after the great depression of 1929.
190. Primary objective of SEC is to encourage the disclosure of important market-related information, keeping fair dealing, and shielding against fraud.
191. Australian Securities and Investment Commission (ASIC) was established by ASIC Act of 1989.
192. Wallis report was released against a major inquiry into the regulation of Australia's financial system.
193. Objective of ASIC is to ensure confident and informed participation of consumers in the financial system.
194. CAP: Consumer Advisory Panel