Chapter-2

Bombay Stock Exchange - A Brief Profile
Stock Exchange is not its official name its official name is The Stock Exchange, Mumbai. It was established in 1875 as “The Native share & Stockbrokers Association. (A voluntary non profit making association) has evolved over the years into its present status as the premier stock Exchange in the country. It’s the oldest one in Asia.

It is the most active stock market in the country accounting over 70 percent of the listed capital in the country, while in terms of market capitalization its share is over 75 percent. The turnover on the Exchange accounts for nearly 1/3 of the total turnover in securities all over India. The BSE was modeled on the London Stock Exchange, which is an independent institution. It is located on Dalal Street, in down town, Mumbai. The board of directors of the exchange is composed of 19 directors. Nine elected member brokers (One third of them retire every year by rotation) five public representatives three nominees of the SEBI One nominee of the RBI and the executive director. The president, the vice-president and the honorable treasures were elected from among member brokers. The executive director is a professional having been seconded from the State Bank of India and is responsible for day-to-day administration of the exchange. Public representatives is the apex body which regulates the Exchange and decides its polices.

**Important Landmarks of the Stock Exchange, Mumbai.**

The Stock Exchange Mumbai has a long but fascinating history. In 1860-61 the American civil was broke out and totally stopped the supply of cotton from the United States to Europe. The resulting cotton famine led to a large and unlimited demand on India &
Chapter-2: Bombay Stock Exchange - A Brief Profile

India really meant the Bombay presidency where alone the largest stocks are available. In four year exports doubled from 5,66,000 bales to 11,18,000 bales.

The organization of stock exchange at Bombay coincided with the recovery from depression following the share Mania of 1861-65. The enterprises promoted by the first generation of brokers, although they ruined the shareholders were grand conception of genius before their time, the fulfillment of which we only see today, Awaking from these grand dreams, the capitalist and the Bombay brokers steadily promoted after 1872. Only those enterprises, which were useful and remunerative such as mills, presses and mining companies. A new departure in commerce and industry was thus taken, credit was stored & prosperity came back to Bombay with the firm establishment of cotton industry, building of new docks and the extension of railway facilities for transport of goods.

The stock Exchange played an important part in these new developments. The object of forming an association with fixed rules for conduct and settlement of business was “to facilitate the negotiation of the sale and purchase of joint stock securities promoted throughout the presidency of Bombay. In this the Association entirely succeeded. Outside it, no securities could be negotiated purchased or sold”. In those days “It was very difficult to float a public company and secure large amounts of capital subscribed. It must be mentioned to the credit of the brokers of that they always tried their best to popularise the new issues to enables the companies to secure the necessary capital. “The stock Exchange thus channeled the flow of investment into stocks,
shares & gilt edged securities and materially helped government, trade and industry.

As the Exchange grew in size, so did its accommodation, the premises taken in 1874 in Dalal street on a rent of Rs. 130 per month become prominent place of meeting of the brokers to conduct their business. The brokers organized an association on 9th July 1875 known as the Native share brokers Association to protect character, status and interest of the native brokers and that was the foundation of the Stock Exchange Mumbai. Known as Stock Exchange old building situated at Dalal Street was acquired for Rs. 97,000 in 1895. In the central court yard of these premises and in what is now the Brokers hall flourished two sturdy peepal trees, which still survives. The brokers Hall was thrown open on the 18th of January 1899, by Mr. James M. Maclean, M.P. previously editor of the Bombay Gazette and in the course of his inaugural address he declared.

"A Bombay brokers is a very useful member of the society, whose virtues are not sufficiently recognized although his faults are emblazoned forth with rare exception, he is honest to the core and pays to the last pie......... without doubt this is the largest Rupee paper market in India, whether as regards the volume of business of the extent of the fluctuations. The Bombay Port – Trust and the Bombay Municipality are under debit of gratitude to them for raining them credit to enable them to borrow at the lowest rates obtainable in India, next to the government paper... A native broker has borne a considerable share in the building the present Bombay." 

The exchange was at last comfortably housed, though for a time a crowd of dealers in Government securities preferred to remain
outside. After the First World War the adjoining old building which had changed hands for Rs. 73,000 in 1913 was bought in 1920 at Rs. 10,30,000 to enlarge the trading hall for transacting the increase volume of business. In 1928 the premises was further extended by acquiring from the Bombay municipal corporation for Rs. 5 Lakhs the adjoining plot of land, where new building was constructed and was occupied on the 1st December, 1930.

The present 28 storeyed two phased building called Phiroze Jeejeebhoy tower named after late Phiroze Jamshedji Jeejeebhoy, who was the chairman of the Exchange from the 1st April 1966, till his death on the 9th February, 1980, was constructed between 1973 and 1983 this occupied in phases from 1980 - 81- All the while, the two peepal trees on the stock Exchange premises stand silent witness. The trees shed their leaves every autumn and the foliage is green again in spring, a perennial symbol so characteristic of the cyclical stock market fluctuations.

And so the stock Exchange at Bombay has continued to expand in size and grow in its stature and influence. It is not only the oldest stock Exchange but also the oldest trade association in the country. Among the twenty-two stock Exchanges recognized by the Government of India under the securities contacts (Regulation) Act 1956, it was the first one to be recognized and it is the only one that has been granted the privilege of permanent recognition. Likewise it is acknowledge to be the best organized and the largest be it as a market for gilt edged securities or for new issue of capital; or in regard to the paid up capital and market value of listed securities or the average size of listed companies, or from the point of view a turnover, price continuity liquidity and negotiability in all of which it enjoys outstanding pre-eminence.
The primary of the Stock Exchange Bombay places it at the heart of the capital market. The exchange thus helps nationality to make Bombay "the chief center of the money and capital markets and contributes in no small measures to the importance of the city as "the financial capital of India."

The Exchange was established with 318 members. The number increased to 333 in 1896 and at present, it is 641. The membership fee has increased gradually from Rs. One in 1887 to Rs. 1000/- in 1896; Rs. 48000/- in 1920; Rs. 7.51 Lakhs in 1986 & Rs. 55 Lakhs in 1998. In 1950 the stock Exchange become an exclusively central government subject following adoption of the constitution of India in 1956, the security contract (Regulator) Act was passed. In 1992 the Securities and Exchange Board of India Act was passed through SEBI came into existence in 1988. SEBI has been empowered by central Government to regulate & develop capital markets in India.

In 1992 the Over the Counter Exchange of India (OTCEI) came into existences where equities of small companies are listed. In 1994 birth a National stock Exchange took place.

In 1995 the Exchange rapidly computerized its trading operation and thus the open out cry system of share trading was replaced by Screen based trading in the Stock Exchange, Mumbai. In January 1996 the revised carry forward system was introduced. In September 1997 BSE on line Trading system network went nation wide.
Legal Definition:

"Stock Exchange" mean any body of individual whether incorporated of not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

The Securities & Exchange Board of India (SEBI)

SEBI was established on 12th April 1988 acquired statutory status on the 30th January 1992. The main objective of SEBI is to project the investors, regulate and promote the capital market by creating an environment that would facilitate mobilization to resources through efficient allocation and to generate confidence among the investors. It is responsible to regulate stock Exchange, other intermediaries who may be associated with the stock market & the process of public companies raising capital by insuring instruments that will be traded on the capital market.²

Followings are the Strategic objectives of BSE.

- To promote, develop & maintain a well-regulated market for dealing in securities.

- To safeguard the interest of members and the investing public having dealings on the exchange.

- To Promote industrial development in the country through efficient resource mobilization by way of investment in corporate securities.

- To establish & promote honorable & just practices in securities transaction.³
Trading Days & Hours.

The stock market is open for trading to one and all. One can do business according to one's own capacity. Securities can be bought and sold during fixed sessions which are usually held from 10.00 am to 3.30 pm from Monday to Friday. Special trading sessions are held on specific occasions like the Union Budget day & Diwali (Moorat Session) in the evening.

Price Fluctuations

The prices of shares are not stable with hundreds and thousands of people operating simultaneously on the market. It is almost like a national poll. The prices are determined by the forces of demand & supply. Factors that influence share prices are the political situation, state of the economy, performance of companies, & expectation of the investing public. There are risk involved in investment, but the risk can be anticipated by knowledge, information, study, judgment, awareness, advice & research.

Investment in shares offers a wide range of choice; there is something for every type of investor. There are three types of investors depending upon their incomes, needs & expectations.

- a) Investors who are risk averse.
- b) Cautious investors who would like to take some risk &
- c) Speculative investors.

The stock Exchange allows an individual to invest in any security he likes. This capital is free to move from one security to another, which enables him to make profit if the venture succeeds or to incur losses if it fails. The screen-based trading system of the
Chapter-2: Bombay Stock Exchange - A Brief Profile

stock exchange, is a continuous auction market there is two-way auctions. The bidders compete with each other to purchase at the lowest possible price the shares that they want to buy, similarly, those who want to sell, compete with each other to get the highest price for the shares they are offering. When the buyers bidding the highest price and seller offering the lowest price match, the computer executes a transaction. Both quotations and orders of sale & buy are entered in a computer.

Equity shares, Preference shares & Debentures

A Share means a part in the equity capital of an enterprise. It includes stock except where a distinction between stock and share is expressed or implied. A Stock is a aggregate of fully paid up shares consolidated or divided for the purpose of holding in two different parts. Stock can be issued only when the shares are fully paid-up.

Preference shares are shares having preference over other share of the company in regard to distribution of the dividend and liquidation. There one different types of preference share such as cumulative, convertible, preference share and redeemable preference shares.

The term equity shares, preference, debentures, light bonus may sound to be technical, but their meaning and investments function can be mastered after a little study. A share signifies a part ownership of a company. You have a voice in the management of the company in proportion of your holding. As a proof of ownership you receive share certificate in your name recorded in the register of member of the company. Thus, a share certificate is not merely a piece of paper, but is means share of business. Thus
shareowners are partner in the good fortune and bad luck of the enterprise. Shares have fixed par value known as nominal value of a share. In most cases this is either Rs.10/- or Rs. 100/-.

Companies raise capital in the form of shares & / or debentures. They raise capital to buy land, plants and equipments etc. There results in production of goods & services, sales of which results in profits. A part of the profits are used to pay share / debenture holders as dividends and interest respectively. The balance of the profit is ploughed back into business. Companies earning high profits have a sizeable reserves, which can be used for issue of bonus shares or investment in future expansions. The bonus shares qualify for future divided payments.

Debentures when issued are in the form of a debt. It may be converted into equity capital of the company at par value or at a premium on a pre-determined date(s), which may be disclosed in the offer document. If the entire face value of the debenture in to be converted at one line or in a phase such debenture issue is known as fully convertible debenture (FCD) issue. If no part of the debenture is to be converted, such debentures are known as non-convertible debentures (NCD). A synthesis of FCD & NCD gives rise to another type of debenture known as partly convertible debentures. An option to the debenture holder either to convert the debenture value into equity or retain it in the form of debt. The NCD or the non-convertible portion of partly convertible debenture will be redeemed at one time or in stages, which again has to be disclosed in the offer document. But in all cases, each debenture earns interest at a prescribed rate till it remains as debt.

New companies can invite the public to contribute to the capital of the company through prospectus. The prospectus is an important
Chapter-2: Bombay Stock Exchange - A Brief Profile

document, which makes a detail disclosure of all material facts about the company and also contain management’s perception of risk factors. An application form inviting public subscription for shares / debentures has to be accompanied by a memorandum (abridged prospectus) containing salient features of the prospectus. Every company intending to offer shares / debentures to the public for subscription must get their securities listed on any recognized stock exchange in India.

After the initial issue, a company can raise additional capital by making right issue to the existing shareholders. Existing shareholders can renounce their right in favour of new investors for a consideration some times a company may met be certain that their rights issue will be subscribed to in full & may therefore offer such shares to new investors as well.

Brokers & Jobbers:

Broker is a member of the stock exchange who is licensed to buy or sell shares on his own or on his client’s behalf. He charges commission (brokerage) on the gross value of the deals. Full service brokers offers facilities such as safekeeping clients shares & bonds offering investment advice, planning clients portfolios of investment, managing clients portfolio. Jobbers are important players in the market who buy and sell the shares on their own account by giving to way quotations on the computer. An order is executed when it matches either a jobber’s quote or another brokers order. If he bids at Rs. 64 & offers at Rs. 66, it means that he will buy a share at Rs. 64 & sell it at Rs.66 keeping Rs. 2 as his margin. This is called the “spread” this spread depends on demand & supply of a share in stock market. The BSE has made it
mandatory for every company with a share capital of over three crores to appoint jobbers if it seeks enlistment. This will enable investors to have both buy & sell quotations on the stock exchange and increase liquidity of shares.

**Bulls, Bears & Stags.**

An operator who expects the share price to rise is called a bull. He buys shares without any intention of taking delivery. When the prices rise he sells the shares & squares up the transactions at a profit. This is called long purchase.

The counterpart of a bull is bear. A bear expects prices to decline and sells shares, which he may not own. His intention is to buy those shares at a later date, when the prices decline and then square up the transactions with a profit. This activity is generally referred to as selling short.

Stag is a person who subscribes to a new issue with the primary objective to selling at profits no sooner than he gets the allotment.

**Placing an Order:**

A client has two options, when he instructs his broker to enter into a transaction, he may inform him to buy or sell at the best price and leave the matter to his judgment or he may specify reasonable price limits. For instance, the client may specify ‘buy at Rs. 110 maximum. In such a case the broker would not be able to execute the order even though the quotation of the day would be ‘Rs 110, 111,112,113’ as jobbers spread of say Rs 2 would make the share available for purchase at a price not lower than Rs. 112. Too strict an adherence to the limits can result in a good opportunity being missed, specially, if market is changing very fast.
In a bull market, it is advisable to avoid strict buying limits, if you want to ensure purchase otherwise you can be trailing for shares for days together without actually buying them. Similarly in a bear market, it is not advisable to place selling orders at limit prices. If you specify selling limits and the market slides down, you would have lost an opportunity to sell your scrip that day & the market would be lower the next day. Whenever limits are specified, it is necessary to state whenever the limits are ‘net’ ie. Inclusive of brokers commission or at market in which care the brokers commission will have to be added to the purchase price or deducted from the sale price.

**Contract Note:**

After a broker executes an order of a client he is statutorily required to issue a contract note to the client. This note is in a prescribed form & confirms that certain number of securities have been bought or sold at the stated price by your order & to your account & the brokerage amount has to be shown separately in the contact note. The brokerage can’t exceed Rs. 0.25 per share or 2.5 percent of the contact price. Subject to a minimum of Rs. 25 per contract. The contract is an important evidence of a real transaction. Once it is delivered & accepted it binds the broker and the client; neither can then repudiate the contract. A good broker ensures that the contact note is sent to the client by hand delivery or by post on the same day or on the following day of the transaction.

**Settlement Period:**

In order to avoid settlement of too many transactions on a day-to-day basis, the stock exchange divides the period of one year into
settlement periods. The settlement period in specified shares as well as non-specified securities is one week. The transactions entered during this period of a week are to be settled either by payment for purchase or by delivery of share certificates sold on notified days which are made known to the members of the exchange through a clearing programme. The programme is announced six month in advance. Two most important dates are covered in the programme are pay in & payout. Pay-in day is the date on which broker has to make payment to the clearing house for all purchase made by him and shares are to be delivered for all sales made by him in the previous settlement period.

The pay out day is the date on which the broker receives payment for sales made & share certificates together with the transfer deeds delivered to the clearinghouse. The actual amount a broker has to pay to the clearing houses, is however netted out taking into amount the shares to be delivered & received, the difference of the transactions offset by counter transactions to be received or paid & also the difference to be received or paid between the contract price & the price at which the transactions are carried forward to the next settlement. Again it will take the broker two to three days after the pay out day to remit the sales proceeds to the concerned client. The broker normally expects to receive payment from his clients a few days before the pay in day to allow for bank clearing & other paper work.

**Specified Shares & Non-Specified Securities:**

All the listed securities on the stock exchange are classified as either

i) Specified shares - ‘A’ Group shares or
ii) Non-specified securities - ‘B’ Group Securities

Sub-divided into ‘B1’ & ‘B2’ groups.\(^4\)

A - Very high liquidity & large equity base.

B1 - High liquidity & equity above Rs. 30 Million.

B2 - Low trading volume & Equity below Rs.30 Million.

The stock Exchange authorities notify from time to time the share, which shall be included in the specified list the main difference between specified & non-specified securities, is in the process of settlement of transaction. Only equity share are included in specified list. The considerations for an equity share to be included in the specified list are generally the size of company, the number of shareholders, dividend record, growth prospects & average volume of business.

**Settlement of transactions in specified share:**

At the end of a settlement period an investor, who has done his business in specified shares, have two options, viz.

i) Terminate his contract of sales by purchase & purchase by sale by cross contracts within the settlement period. This is known as squaring up.

ii) Complete the contract by delivery or payment, as the case may be.

**Settlement of Transaction in non-specified securities:**

Transactions in non-specified securities are for delivery, unless they offset by opposite transactions in the course of the settlement
period itself. The Exchange issues delivery orders and receivers orders for all transactions entered into during the settlement periods, which are not offset by opposite transactions. If the seller is not in a position to deliver the Securities the buyer has a right to demand delivery of the securities he has bought and can go in for an auction notice against the seller and claim the difference between the contract price & the auction price.

**Odd lots & Market lots:**

Trading in equity shares on the stock Exchange is confined to market lots. For shares having paid-up value of Rs. 10/- the market lot is generally fifty or hundred shares, & for shares of Rs 100/- paid value, the market lot is generally five or ten shares.

Market lots of shares of an actively traded company can bought or sold early in the Stock Markets through brokers however, problems arise when are wants to buy or sell shares in lots which are different from market lots. In stock market such lots are called odd lots. Purchase and sales of odd lots are usually very difficult. Also, the price quotation for an odd lot could differ by as much as 5 -10 percent from the price quoted for market lot Odd lots generally arise from issue of bonus or rights shares or convertible debentures.

**Book Closure / Record Date:**

Every company maintains a Register of its shareholders. The register of members contains the name address & other particulars of its shareholders. As the ownership of the share keeps on changing due to the buying & selling activities & the consequent registration of transfers the list of shareholders is constantly
updated with the names of transferees added and those a transferors deleted.

When a company declares a dividend or announces a bonus share or want to convince a meeting of the shareholders, it because necessary to freeze the list at a point of time, to take stock of the shareholders entitled to the benefit. This is known as closure of Register of Members or just Book closure. During this period no transfer of share is undertaken by the company.

**Cum or Ex:**

Share price are sometimes quoted ‘cum’ or ‘ex’ dividend ‘cum’ or ‘ex’ bonus or ‘cum’ or ‘ex’ rights. They are written as ‘cd’ or ‘cr’ if ‘cum’ & ‘xd’ ‘xb’ or ‘xv’ if ‘ex’ unless specifically mentioned all prices are ‘cum’ which means that all future dividends, bonus & rights will acquire to the buyer. In case a doubt - which could arise if the trading date is close to the date on which a share changes status from ‘cum’ or ‘ex’ - it is always advisable to get the doubt clarified with the broken before placing the order. 5

**Transfer Deed:**

When you buy shares of a company, the seller broken will collect the concerned share certificates accompanied by prescribed transfer form duty signed by the seller & pass then on to you through your buyer broker.

**Transfer of share & debentures requires compliance with the following.**

i) There should be proper instrument of transfer.

ii) The instrument should be duty stamped
iii) It should be executed by or on behalf of both of the transferor & the transferee.

iv) It should contain the name, address, & occupation of the transferee.

v) It should be delivered to the company along with the relevant share/ debenture certificate.

According to section 108 (1A) of companies Act. Transfer deeds are valid for a period of 12 months from the date of stampings, by the prescribed authority or till the date on which the register of members one closed for the first time after the date stamping by the prescribed authority, which ever later.

The BSE on line Trading (BOLT) system.

In the last couple of years the nature of competition has changed. It is a competition of offering better services and lower costs to attract business. The Exchange took big leap in may 1995 when it introduced order cum quote driven electronic trading for all the listed securities.

The BOLT system was set up to achieve the following goals.

i) Increase in market transparency.

ii) Enhancement in market quantity through improved liquidity, by increasing quote continuity & market depth.

iii) Reduction in settlement risks due to open trades, by elimination of mismatches.

iv) Improvement in information availability, by catering to broad based information requirements.
v) Better management information system (MIS).

vi) Introduction of flexibility in system, so as to handle growing volume easily, to incorporate changes in business rules & to support geographical depression of market activity.

The system provides a combination of order & quote driver system. The order book function as an ‘auxiliary jobber’. It serves two purpose first it allows retentions & matching of orders against one another were no quotes exist in the system for a particular scrip, & second, it improves the price competitive character of the market, in case investors are willing to deal at prices better than the current best quotes.

The capacity of the tandem hardware of BOLT has been enhanced from 1,50,000 trades per day to 5,00,000 trades per day (in 6 hours i.e. 10.00 am to 4.00 pm.)

Trading system has undergone a sea change since May 1995; open-out cry system has given away to computer based trading. Orders are matched in less than one tenth of a second. The system allows for complete transparent mode of each order extension. Trading house has been increased from two hours under the open-out cry system to six hours. Processing speed coupled with extend trading hours has ensured that most orders get executed on daily basis.

Initially, SEBI had given approval for bolt expansion to 99 cities & as on March 31, 1998 it had allowed BSE to expand BOLT for a total number of 399 cities.

Settlement of transactions is done on an ‘Account Period basis’. The period is a calendar week in case of ‘A’ & ‘B1’ & ‘B2’ group & from Monday to Friday. During an account period, buy or sell
positions in a particular security can be either squared up by entering into contra transactions or can be further accumulated by entering into more buy or sell transaction.

**Mutual Funds:**

Mutual funds are trusts which mobilises savings from the people & use the funds to purchase securities. Government trusts, banks & now private financial institution run these funds as well. Mutual funds usually have professional investment managers who make decision about securities to be bought or to be sold. By pooling the financial resources of small investors, the investors are able to participate in the securities market indirectly. They are many types of schemes operated by the funds for examples.

i) **Open-ended scheme:** Open ended scheme in the one, which continually offers its units, & buy them back from the investors. UTI 64 is an Open-ended scheme.

ii) **Close ended scheme:** Is one where funds are raised for a fixed period. The scheme is wound up after that period & funds are returned with capital appreciation to unit holders. Normally a Close ended scheme is listed on stock exchange. SBI Magnam Triple Express is a Close ended scheme.

iii) **Income fund.** : An income oriented fund aims at giving regular income to its investor so long as the scheme is in operation.

iv) **Growth Fund:** A growth fund aims at rapid capital appreciation of funds by making investments in those
securities, which are accepted to show large appreciation quickly.

v) Balance fund: A balance fund invests in bonds and blue chip stocks to conserve capital. These funds pay reasonable income & provide some capital appreciation.

vi) Money market Mutual Fund: There funds invest in markets instruments such as treasury bill, government bonds, certificate of deposits, bank deposits, & commercial papers.

Opportunities available for foreign investors:

The government of India narrowly saved from a foreign currency reserve crisis in 1991, finally decided to open, up her capital markets to foreign investors. In Sept. 1992, the Government of India through SEBI, introduced the concept of Foreign Institutional investors, (FII). FIIs upon registration with the SEBI & Reserve Bank of India (RBI) are allowed to operate in Indian Stock Exchanges subject to the guidelines issued for the purpose by SEBI.

FIIs are permitted to invest in:

i) Securities in the primary & the secondary markets, including shares debentures warrants of companies listed or unlisted on a recognized stock exchange in India (Including OTC Exchange of India).

ii) Specific Schemes floated by domestic mutual funds for institutional investors & such other securities as may be approved by the SEBI from time to time.
Important Guidelines for FIIs issued by SEBI:

i) Portfolio investment in primary or secondary markets will be subjects to ceiling of 30% of issued share capital for total holding of all registered FIIs. In any one company an FII holding is subject to a ceiling of 10% of the total issued capital. However, in applying the ceiling of 30% the following are excluded.

a) Foreign investment under a financial collaboration, which is, permitted upto 51% in all priority areas.

b) Investment by FIIs through offshore single/regional funds (A Fund held outside the country of the holder. Not subject to tax laws of the holders country) Global depository receipts (GDR) & Euro convertible bonds.

ii) Disinvestment is allowed through a broker of a stock Exchange.

iii) Not permitted to engage in carry forward transactions, engage in short selling, offset a deal without delivery, invest in debt more than 30% of the funds, invest in Indian Govt. Treasury Bills etc.

iv) Not every foreign institution can apply for FII status. FII applicant established or incorporated outside India, has to be:

a) A pension fund or mutual fund or investment trust.

b) An asset management company or bank or institutional portfolio managers.
c) A trustee or a power of attorney holder proposing to make investment in India, on behalf of a board based fund;

d) University funds endowments foundation or charitable trust/societies.

Of the 426 FIIs registered as at the end of December 1996, an average of 130 FIIs were active in 1996-97. Only 25 FIIs accounted for 60-65% of all the FIIs trading. Among the most active FIIs are

Morgan Stanley Asset Management

Jardine Fleming

Capital International

International Alliance.

Templeton. 

**Portfolio Investment by Foreign Investors:**

Foreign investors, Individual or institutional, who wish to invest in Indian companies can do so by investing in Global depository receipts (GDRs) for Indian stocks or Euro convertible bonds issued by Indian companies. Since April 1992, Indian companies with good track record are permitted to raise funds from the international market by way of issue of GDRs. GDRs are issued in the name of foreign bank and normally listed on Luxembourg or London Stock Exchange. It provides opportunities to international investors to participate in the Indian capital market without going through the hassles of paper - based settlement system. Once
GDR’s or Euro convertible bonds are issued outside India, investment in these are generally not subject to Indian regulation.

To be precise, GDR’s are issued by an overseas depository Bank against underlying shares or bonds of a company held with a domestic custodian bank, therefore the issues of GDRS is the foreign depository bank but not the company usually arranges for a foreign depository bank the issue GDR’s for the shares. Not every Indian company can issue GDR’s or Euro convertible bonds. Generally only large & resourceful corporations can afford to do so.

It is an instrument issued, abroad listed & traded on foreign stock markets. A GDR’s is convertible into shares, which are listed & trades on the domestic exchange, the dividend being paid in the domestic currency.

The reason why GDRs have become the favorite mode of raising money for Indian corporate giants is access to large funds & Foreign exchange inflow. Starting with Reliance Industries GDRs, These have now picked up considerably, with Grasim SPIC. & ITC mopping up large resources. GDR’s liquidity is restricted. GDR’s or Euro convertible bonds are deemed as direct foreign investment and they together with other types of direct foreign investment cannot exceed 51% if the issued subscribed capital of the issuing company unless the Foreign Investment Promotion Board (FIPB) specially permits it. They change hands only outside India; they cannot be sold to India domestic investors in an ordinary way.
Besides GDR’s Euro convertible bonds the following three categories of foreign investors are allowed to invest directly in Indian securities.

Foreign Institutional Investors (FII)

Non-Resident Indian (NRI)

Overseas corporate Body (OCB)

(60% owned by individuals of Indian nationality etc.)

National Depository System:

A depository is a central holding place, or repository, of financial securities. It transfers shares & bonds electronically, through a computer entry and eliminate the need of investors to hold securities physically. Investors access the system through Depository participants (DPs) banks, brokers, mutual funds etc. Trading ultimately becomes scrip less, as record of ownership, not physical possession, becomes the feature of trading. Transfer of ownership will be done through book entries on electronic ledgers. Transfer form & transfer stamps will disappear.

The National Securities Depository Ltd. (NSDL) is the depository in India. It was promoted by the UTI, IDBI & NSE and was registered with SEBI in June 1996.

Dematerialization: Investors are encouraged to surrender their holdings of securities in a physical form to get them cancelled and create securities in an electronically registered form, i.e. Credit balances for the securities in their favor. This process is called “dematerialization”. Credit of securities into NSDL is also made upon the fresh issue of securities in a dematerialization form.
BSE Investors Service Cell:

Mission: To educate & create awareness among investors.

The Exchange not only provides an efficient market but also upholds the interests of the investors & ensures redressal of their grievances; whether against the companies or its Member - brokers. It strives to educate & enlighten the investors by making available to them the necessary information. Provides all the market related information by issuing press release, Quick reference guide for investors etc. & these one also available on its website.

An Investors Services Cell (ISC) was set up in 1986 by BSE for redressal of grievances of Investors against listed companies & members of the Exchange. The BSE has also earmarked an amount of Rs. 1 crore for assistance to investor Association for conducting Investor Awareness & education seminars etc. During the year 2000 –2001 an amount of Rs. 20 Lakhs has been disbursed to the SEBI recognized investors Association.

BSE Webx:

BSE webs, the first exchange enabled Internet Trading system. Built on highly scalable Internet infrastructure following exemplary standards in architecture, BSE Webx endeavors to deliver an enjoyable trading experience through its cutting edge information, risk management & trading features. BSE Webx in the confluence of varied market participants in the financial markets. Brokers, sub-brokers, Depositories, DP’s, Banks, Exchange & other related entities are all integrated into one seamless self-sustaining e-biz ecosystem.
BSE webx offers

➢ The power of placing orders at your fingertips.

➢ Place orders anytime from anywhere.

➢ Information transparency.

➢ Detail stock information covering prices, volumes Market Depth, All time & 52 week High-Low, Corporate Announcements, results, shareholding pattern & other information for over 6000 listed companies.

➢ Real Time Risk Management through exhaustive profiling of scrips & limits.

➢ Order placement & Management capability through the Internet.

➢ Personalisation’s & cost effective means for buying & selling shares

➢ Tracing order status online.

➢ Historical view of trades and orders through the: 'My Log Book' Section.

BSE is also geared up to face the challenges of the new millennium. Setting up a derivative exchange, strengthening the self-regulatory structure, increasing the services to investors & strengthening the organisation are some of the current initiatives. BSE would continue to play an important role in the capital markets & contribute towards the economic development of the country.
References:

3. Ibid.
8. Ibid.
10. Ibid.