

How Do I Invest in Securities Market?

Process of Investing

A Guide to Investment Through Primary Market

When a company offers shares to the public, it announces a public offering. Individuals interested can apply by submitting the necessary application form. Issuing securities requires adherence to specific rules and regulations. Shares are allotted in accordance with these regulations and credited to the applicant's demat account held with a Depository Participant. Allotment occurs in dematerialised form. This means they exist electronically rather than as physical certificates. Investors have the choice to convert to physical shares. Following the public offer's closure, allotted shares are listed on Stock Exchanges within 3 working days. The listing allows these shares to be traded by investors in the secondary market.

Your Guide to the Process of Investing in the Primary Market

- **Complete the online / offline application form:** During a public offer, you can buy shares directly from the issuing company by filling out an online / offline application form and making payment within the specified period. You need to provide your personal details such as name, address, and contact number along with your bank details. You also need to mention the number of shares you want to buy.
- **Make the Payment:** Investors keen on participating in the IPO can apply through Application Supported by Blocked Amount (ASBA) or Unified Payment Interface (UPI) for payment. Once the application is submitted, the invested amount is blocked until shares are allocated.
- **After IPO Closure, Shares are Credited:** Once the IPO is over, it usually takes three business days for the listing process to finalise. Shares are then credited to investors' demat accounts and the funds are deducted from their bank accounts. If for some reason shares aren't allocated, the blocked funds are released.

Application Supported by Blocked Amount (ASBA): Simplifying IPO Investments

Investors have a convenient option to apply for securities in IPOs through ASBA. With ASBA, the amount equivalent to the price of the applied shares is blocked in the investor's account until allotment. Once the shares are allotted, the necessary amount is deducted from the account. The blocked funds continue to earn interest. There is no refund needed in case of non-allotment. This completely eliminates the hassle of sending physical cheques for IPO applications. You can easily find the list of banks facilitating ASBA on SEBI's website, ensuring a seamless experience for investors. Additionally, investors can use UPI as a payment mechanism for investing in IPOs.

Exploring the Process of Investment in the Secondary Market

After setting up a trading or broking account with a recognised stockbroker, you can buy or sell shares of companies listed on the stock exchange. You can do this by visiting the broker's office in-person or applying online. Most brokers offer an online platform accessible via their website or mobile app. Those who prefer phone-based transactions can use the broker's Call & Trade service.

Trading & Contract Note

Stay Ahead in Trading: Understand How the Trading Cycle Works

If you are new to trading, it's important to understand how the trading cycle works. Understanding the sequence of steps from placing an order to the settlement of that trade can help you meet all necessary obligations and deadlines. Stock exchanges operate every day except weekends and exchange-declared holidays. When you are buying shares, make sure to transfer the payment to your broker's bank account before the settlement's pay-in day. Similarly, when selling shares, ensure the shares are blocked in your demat account before the settlement's pay-in day. This ensures a smooth and timely settlement process for your trades.

What are Pay-in and Pay-out Days?

In simple words, the pay-in day is the day when brokers need to make payments or deliver securities to the clearing corporation of the stock

exchange. On the other hand, the pay-out day is when the clearing corporation makes payments or delivers securities to the broker. Now, let's talk about the settlement cycle. The settlement cycle operates on a T+1 basis. This means that trades executed on a Monday, for instance, are usually settled the next day, which is Tuesday. So, if you trade on Monday, your payment or delivery obligations typically need to be fulfilled by Tuesday.

Contract Notes: Your Proof of Stock Market Transactions

Think of a contract note as your receipt from your stockbroker. It is evidence of the trade done by the stockbroker. It is a legal document that proves you have made a trade. It contains details of the transaction such as securities bought/ sold, traded price, etc. Contract notes can be issued online as well as in physical form. In case you opt for an electronic contract note, you will need to authorise your broker to send it to your email along with the details of your email ID. Such electronic contract notes are digitally signed, encrypted and can't be tampered. Such contract notes should be stored so that you can refer to them in future, if need be.

Note of Caution: When you receive a contract note, make sure there are no inaccuracies or discrepancies. If there are, you should take them up promptly with your stock broker to avoid any potential issues or misunderstandings later on.

Stay Connected: Get Updates on your Investments via SMS and Emails

Opting for SMS and email alerts is a convenient way for investors to stay informed about any trading or transaction activities in their accounts. The SMS and email alerts facility allows you to receive free-of-cost SMS and email alerts for your trading and demat account. To receive timely notifications, make sure your mobile numbers and email IDs are updated with their stock brokers and depository participants.

Your Guide to Running Account Authorisation

Running Account Authorisation is a process where you give your broker the green light to hold onto funds in your trading account. Earlier, the settlement date was up to investors. However, as per a recent SEBI circular, the settlement cycle has been standardised. In the normal course, when you buy or sell stocks, your broker has to

settle the transaction within 24 hours of pay-out of funds/securities. However, if you frequently trade, you may specifically authorise the stock broker to maintain a Running Account. This account will be used by your stockbroker to keep aside your shares or funds. Having a running account makes trading easy and convenient as the shares or funds in the running account are adjusted towards the settlement obligations of future transactions. This saves you time and hassle.

Verify Your Trades Easily with the Trade Verification Module

The Trade Verification module is a feature available on stock exchanges' websites that allows users to confirm the trades executed in their accounts. It provides access to transaction data typically starting from the day after the trade (known as T+1) and remains available for the subsequent five days. This tool helps investors ensure the accuracy of their trading activity and monitor their transactions effectively.

Important Information About Securities Market

Securing Your Investments: The Importance of Trading Margin

Margin money is collected by stockbrokers from investors before trade execution. It acts as a form of collateral and is used to cover potential losses that may occur due to non-payment or non-delivery of securities. The limit of the margin money is prescribed by stock exchanges/ clearing corporations. This margin can be in the form of cash, securities, or cash equivalents such as fixed deposits, bank guarantees, mutual funds, government securities, or treasury bills in demat form. With effect from September 01, 2020, investors can only provide margin money in the form of securities by pledging them to a specially designated demat account of the stockbroker. This SEBI measure aims to protect investors' interests, ensuring that pledged shares remain in the investor's demat account with only a lien marked in favour of the broker. When margin needs to be released, the lien is removed, and the shares are unfrozen, preventing any potential misuse."

What If You Want an Exemption From the Trading Margin?

Well, you can make use of the 'Early Pay-in' facility to get an exemption from margin payments. With this convenient facility, investors can transfer funds or deliver shares to their broker ahead of the pay-in date or as specified by the broker. These funds or shares are blocked in the

investors' accounts until the designated time, allowing investors to streamline their trading process and potentially avoid the need for additional margin requirements.

Stay informed: Receive Transaction Reports Regularly, Free of Cost

As an investor, it's your right to be informed about transactions in your trading account. You can stay informed with free, regular reports from brokers and depository participants. Depository participants and stock exchanges will notify you via your registered mobile number or email address about transactions in your accounts. You will receive monthly reports and quarterly reports, free of cost, on a regular basis.

If you are unsure about a message, reach out to your bank, depository, depository participant, stock exchange or broker. You can also call SEBI's toll-free helpline for assistance. Keep your contact details up to date to ensure timely alerts and statements. If you don't receive a report, raise the issue with the entities concerned.

Note: You are entitled to receive a statement of your funds and securities balance as of March 31st each year from your stockbroker.

All Your Investments in One Place: Consolidated Account Statements Explained

The best way to keep a tab on your investment details is to go through the Consolidated Account Statement (CAS). It is a comprehensive statement that provides an overview of all your monthly transactions across Mutual Funds and other securities in your demat account (s). The CAS is sent by the depositories. It is a single/ combined account statement. The consolidation is done based on the PAN of the primary holder and holding pattern. If there's no transaction in mutual fund folios and demat accounts, then CAS is sent to the investor on a half-yearly basis. That is holdings of March and September end will be sent in April and October respectively

e-CAS: Fast, Convenient and Secure

Investors can opt for e-statements for CAS transactions. e-statements are faster, convenient, secure (password protected) and eco-friendly. If for any reason you don't wish to receive CAS, inform any DP who will update the depository system accordingly.

Note: NPS subscribers have the option to include NPS transactions in their CAS. Eligible investors can consent to Central Record Keeping

Agencies (CRAs) for NPS inclusion, gaining a consolidated view of their investments and NPS details.

Navigating the Derivatives Market

Derivatives are financial instruments that get their value from other assets such as stocks, commodities, or currencies. Derivatives are mainly used by investors to hedge their positions and protect themselves from price fluctuations. This process is called hedging, a risk management strategy in which the investors invest in the instruments strategically to offset the risk of any adverse price movements.

There are three types of players in derivatives:

- Hedgers
- Speculators
- Arbitrageurs.

Futures and options are two different types of derivatives.

- **Futures Contract:** A futures contract is an agreement to buy or sell a specific asset at a predetermined price on a future date. It's standardised and traded on stock exchanges.
- **Options Contract:** An options contract is a financial agreement that gives the buyer the right, but not the obligation, to buy (call option) or sell (put option) a specific asset within a set period of time. The buyer pays a premium for this right. Just like futures contracts, options are traded stock on exchanges.