



CONTENTS

| | <i>Page</i> |
|---|-------------|
| <i>Foreword</i> | <i>I-3</i> |
| <i>Acknowledgement</i> | <i>I-5</i> |
| <i>About NISM Certifications</i> | <i>I-7</i> |
| <i>About the Certification Examination on Securities Operations and Risk Management</i> | <i>I-9</i> |

CHAPTER 1

INTRODUCTION TO THE SECURITIES MARKET

| | | |
|------------|---|-----------|
| 1.1 | Introduction | <i>1</i> |
| 1.2 | Securities Market | <i>3</i> |
| 1.3 | Money Markets | <i>4</i> |
| 1.4 | Products Traded in the Indian Securities Market | <i>4</i> |
| 1.5 | International Financial Services Centres (IFSC) | <i>10</i> |

CHAPTER 2

MARKET PARTICIPANTS IN THE SECURITIES MARKET

| | | |
|------------|-----------------------------------|-----------|
| 2.1 | Introduction | <i>13</i> |
| 2.2 | Investors | <i>14</i> |
| 2.3 | Issuers | <i>15</i> |
| 2.4 | Market Structure and Participants | <i>17</i> |
| 2.5 | Regulators | <i>23</i> |

CHAPTER 3

INTRODUCTION TO SECURITIES BROKING OPERATIONS

| | | |
|------------|---|-----------|
| 3.1 | Introduction to the Securities Trade Life Cycle | <i>41</i> |
| 3.2 | Front Office Operations | <i>48</i> |
| 3.3 | Middle Office Operations | <i>62</i> |
| 3.4 | Back Office Operations | <i>64</i> |

CHAPTER 4

RISK MANAGEMENT

| | | |
|------------|--------------------------------------|-----------|
| 4.1 | Risk Management | <i>75</i> |
| 4.2 | Compliances and Regulatory Reporting | <i>93</i> |
| 4.3 | Core Settlement Guarantee Fund | <i>99</i> |

CHAPTER 5

CLEARING PROCESS

| | | |
|------------|--|------------|
| 5.1 | Introduction | <i>105</i> |
| 5.2 | Role of the Clearing Corporation | <i>106</i> |
| 5.3 | Clearing Banks and their function | <i>108</i> |
| 5.4 | Clearing members/Custodians | <i>108</i> |
| 5.5 | Depositories & Depository Participants | <i>109</i> |
| 5.6 | Clearing Process | <i>111</i> |

CHAPTER 6

SETTLEMENT PROCESS

| | | |
|------------|--------------|------------|
| 6.1 | Introduction | <i>117</i> |
|------------|--------------|------------|

| | <i>Page</i> |
|--|-------------|
| 6.2 Determination of settlement obligations | <i>118</i> |
| 6.3 Settlement of Funds | <i>120</i> |
| 6.4 Settlement of Securities | <i>123</i> |
| 6.5 Auction of Securities | <i>124</i> |
| 6.6 Corporate Actions Adjustment | <i>126</i> |

CHAPTER 7

INVESTOR GRIEVANCES AND ARBITRATION

| | |
|-------------------------------------|------------|
| 7.1 Introduction | <i>131</i> |
| 7.2 Investor Grievance | <i>132</i> |
| 7.3 Investor Protection Fund | <i>135</i> |
| 7.4 Arbitration | <i>136</i> |

CHAPTER 8

OTHER SERVICES PROVIDED BY BROKERS

| | |
|---|------------|
| 8.1 Introduction | <i>141</i> |
| 8.2 IPO Applications | <i>142</i> |
| 8.3 Trading of Mutual Fund Units | <i>145</i> |
| 8.4 Portfolio Management Service | <i>147</i> |
| 8.5 Research Reports | <i>150</i> |
| 8.6 Depository Services | <i>151</i> |
| 8.7 Margin Trading | <i>152</i> |
| 8.8 Internet Based Trading (IBT) & Securities Trading Using Wireless Technology (StWT) | <i>155</i> |
| Annexure 1: Good Practices for Brokers | <i>159</i> |