

# SURE SHOT (18-20 MARKS)

## Financial Services and Capital Markets

1. **Functions of Financial Markets:**

- E. Puts savings into more productive use
- F. Determines the price of securities (price discovery)
- G. Makes financial assets liquid
- H. Lowers the cost of transactions

2. **According to Levine, "The five key functions financial system in a country**

- (i) information about possible investments and capital allocation;
- (ii) monitoring investments and the exercise of corporate governance after providing financing;
- (iii) facilitation of the trading, diversification, and management of risk;
- (iv) mobilization and pooling of savings;
- (v) promoting the exchange of goods and services

3. The Fixed Income Money Market and Derivatives Association of India (FIMMDA) was incorporated as a Company under section 25 of the Companies Act, 1956.

4. Certificate of Deposits (CDs) issued by scheduled commercial banks (Excluding Regional Rural Banks and Local Area Banks)

5. Commercial Papers (CPs) are issued by corporates (mostly NBFCs); Min-Max maturity (7 days to 1 year); it is an unsecured money market instrument issued in the form of a promissory note.

6. The Issuer Company shall meet the following requirements:

- a. Net Tangible Assets of at least Rs. 3 crores in each of the preceding three full years of which not more than 50% are held in monetary assets.

7. The Issue shall be made through the book-building route, with at least 75% of the net offer to the public to be mandatorily allotted to the Qualified Institutional Buyers (QIBs). The company shall REFUND the subscription money if the minimum subscription of QIBs is not attained.

8. SPACs aka "blank cheque companies" are listed shell corporations established specifically to buy unlisted or private enterprises and then merge with them. primarily supported by well-known CEOs or celebrities.

9. If the price arrived at after the book building issue is higher than the price at which shares were allocated to ANCHOR INVESTORS, then in that situation, the anchor investor shall bring in the additional amount. But if the price arrived at after the book building process is lower than the price at which shares were allocated to anchor investors, the excess amount shall NOT BE REFUNDED to the anchor investors.

10. Institutional investors and investment funds who want to own a variety of assets in **specific ratios** must use **basket trading**. (selling or acquisition **15 or more** securities but is generally used to **buy stocks**).
11. Stock exchange computes the **CLOSING PRICE** of stocks based on **weighted average** price of all trades executed during the **last 30 minutes of a continuous trading** session.
12. **Market Capitalization:**
  - a. **Market capitalisation** = **Total outstanding** shares x Price of each share
  - b. **Free-float market cap.** = O/s held **by public** x Price of each share
13. Settlement T + 1 **By 1.30 P.M.**
14. **Power Exchange India Limited (PXIL)**, **India's first institutionally** promoted power exchange, has been providing innovative and credible solutions **since 2008**.
15. **Repo rate** - Reserve Bank of India (**RBI**) **lends to Commercial** Banks.
16. **Reverse Repo**- Commercial **Banks lend to RBI**.
17. **Dirty Price** = **Clean Price + Accrued Interest**
18. **Dirty Price** always remains **equal to or higher** than clean price.
19. **Callable Bonds:** A callable bond, also known as a redeemable bond, **gives its issuer the option**—but not the responsibility—to **redeem the bond before to its maturity date**.
20. **Open Interest:** Open interest is the total number of option contracts **outstanding** for an underlying asset.
21. **Margin trading** permits investors to buy shares by **providing 40% of the total value as margin**, while **borrowing 60% from the banks**.
22. **Crowdfunding:** raising funds through platforms on which a **huge number of small investors** invest money in the different start-ups listed on that platform.
23. **Management Buyouts (MBOs):** The MBOs are often funded to management **by private equity firms**.
24. **Series A funding:** Early-stage investing/Seed **capital/Initial round** of funding.
25. **Series B funding:** **Subsequent** round of funding.
26. **IPO (initial public offer):** This represents a **highly successful exit** strategy for Private Equity firms whereas **Liquidation** is the **least** preferred method of exit for PE firms.
27. In respect of every **underwritten issue**, the merchant banker shall undertake a **minimum** underwriting obligation **of 5% of the** total underwriting commitment or **Rs. 25 lakhs**, whichever is **LESS**.

28. **S&P Global Ratings** - Their credit rating is basically **an expression of opinion** about the **credit quality** of a company, **i.e. whether that company can meet its financial obligations in time or not.** Their credit ratings are important **not only for the corporates** but for the **government** and the financial sector also.
29. **Financial** lease agreement is a **long-term** arrangement.
30. **Four** parties involved in a **cross-border** factoring transaction.
31. If the **Three** parties involved then **domestic** factoring.
32. **Buyback:**
- a. **Maximum Limit = 25% of (PUSC+FR)**
  - b. **Special Resolution** (buyback is 10% or less then BR)
  - c. **Debt Equity ratio = 2:1**
  - d. **fully paid-up**
33. **Mutual Fund:**
- a. **Systematic Investment Plan (SIP):** To **regularly invest a predetermined sum** in your chosen mutual funds.
  - b. **Systematic Transfer Plan (STP):** Investor transfers a **fixed amount** of money from Source scheme to Target scheme. (for **lump-sum investment**)
  - c. **Systematic Withdrawal Plan (SWP):** It allows investors **to withdraw a fixed amount of money** from their mutual fund investment **at regular intervals.**