

SECURITIES LAWS AND COMPLIANCES

Time allowed : 3 hours

Maximum marks : 100

PART A

(Answer Question No. 1 which is **COMPULSORY**
and any three of the rest from this part)

Question 1

(a) State, with reasons in brief, whether the following statements are true or false :

- (i) Every stock broker is required to appoint a compliance officer.
- (ii) Dated securities are fixed maturity and fixed coupon securities.
- (iii) Foreign venture capital investor means an investor incorporated and established in India.
- (iv) Depository is required to frame its bye laws.
- (v) The money market is a wholesale market. (2 marks each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate words(s)/figure(s) :

- (i) Money at call is _____ money.
- (ii) _____ in capital market has always been high on the agenda of SEBI.
- (iii) Buy-back of securities is a corporate financial strategy which involves _____.
- (iv) To eliminate counter party risks, SEBI has advised _____ to set-up either trade guarantee fund or settlement guarantee fund.
- (v) Automated screen based trading of shares on stock exchanges has resulted into _____. (1 mark each)

Answer 1(a)(i)

True

As per Regulation 18A of SEBI (Stock Brokers & Sub- Brokers) Regulations, 1992 every stock broker is required to appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions etc. issued by SEBI or Central Government and for redressal of investors' grievances. Compliance officer shall immediately and independently report to SEBI any non-compliance observed by him.

Answer 1(a)(ii)

True

Dated Securities are generally fixed maturity and fixed coupon securities usually carrying semi-annual coupon. These are called dated securities because these are identified by their date of maturity and the coupon, e.g., 11.03% GOI 2012 is a Central Government security maturing in 2012, which carries a coupon of 11.03% payable half yearly.

Answer 1(a)(iii)**False**

Foreign Venture Capital Investor means an investor incorporated and established outside India, which proposes to make investment in venture capital fund(s) or venture capital undertakings in India and is registered under SEBI (Venture Capitals Funds) Regulations, 1996.

Answer 1(a)(iv)**True**

Depository is required to frame its bye-laws with the prior approval of SEBI, consistent with the provisions of the Act and the regulations made by SEBI thereunder. SEBI has, however, the power to direct the depository to amend or revoke any bye-laws already made, wherever it considers expedient to do so. If the depository fails or neglects to comply with the directions of SEBI, SEBI may make the bye-laws or amend or revoke the bye-laws on its own.

Answer 1(a)(v)**True**

The money market is a wholesale debt market for low-risk, highly liquid, short term instruments. Funds are available in this market for periods ranging from a single day upto a year. Mostly government, banks and financial institutions dominate this market. It is a formal financial market that deals with short-term fund management.

Answer 1(b)

- (i) Money at call is **outright** money.
- (ii) **Good governance / Investor Protection** in capital market has always been high on the agenda of SEBI.
- (iii) Buy-back of securities is a corporate financial strategy which involves **Capital Restructuring**.
- (iv) To eliminate counter party risks, SEBI has advised **Stock Exchanges** to set-up either trade guarantee fund or settlement guarantee fund.
- (v) Automated screen based trading of shares on stock exchanges has resulted into **Transparency/faster settlement**.

Question 2

- (a) *What do you understand by 'participatory notes' ? Briefly explain the disadvantages associated with the issuance of participatory notes. (5 marks)*
- (b) *Distinguish between any three of the following :*
 - (i) 'Perpetual debenture' and 'bearer debenture'.
 - (ii) 'Cut-off yield' and 'cut-off price'.

- (iii) 'Straight through processing' (STP) and 'direct market access' (DMA).
- (iv) 'Forward' and 'futures'. (2 marks each)
- (c) Explain the following terms related to capital market :
 - (i) Cash transaction report
 - (ii) Suspicious transaction report. (2 marks each)

Answer 2(a)

Participatory Notes

Participatory notes (PNs) are derivative instruments which are issued by FII to foreign investors. Underlying securities in participatory notes are Indian Stocks. Foreign investors who want to trade in Indian securities anonymously use PN route without obtaining registration from SEBI. It is an understanding between a foreign institutional investor (FII) who is registered here and the other one who is not registered. The registered Investor (broker) places an order for an un-registered investor in anonymous name and these types of trade are carried through the internal account of the FIIs.

Disadvantages of Participatory Notes (PNs)

1. Encourages anonymous transactions by brokers as identity of investors is not known.
2. Creation of multi-layers between FIIs and the ultimate investors
3. Abuse of system by unknown investors and suspicious transactions as PN routes leads to round tripping of Indian capital moved out and routed back through the various FII accounts and sub-accounts, taking advantage of the tax breaks.

Answer 2(b)(i)

Perpetual Debentures and Bearer Debentures

Perpetual debentures : If the debentures are issued subject to redemption on the happening of specified events which may not happen for an indefinite period, e.g. winding up, they are called perpetual debentures.

Bearer debentures : Such debentures are payable to bearer and are transferable by mere delivery. The name of the debenture holder is not registered in the books of the company, but the holder is entitled to claim interest and principal as and when due. A bonafide transferee for value is not affected by the defect in the title of the transferor.

Answer 2(b)(ii)

Cut off yield and Cut off Price

Cut off yield is the rate at which bids are accepted. Bids at yields higher than the cut-off yield is rejected and those lower than the cut-off are accepted. The cut-off yield is set as the coupon rate for the security. Bidders who have bid at lower than the cut-off yield pay a premium on the security, since the auction is a multiple price auction.

Cut off price is the minimum price accepted for the security. Bids at prices lower than the cut-off are rejected and at higher than the cut-off are accepted. Coupon rate for

the security remains unchanged. Bidders who have bid at higher than the cut-off price pay a premium on the security, thereby getting a lower yield. Price based auctions lead to finer price discovery than yield based auctions.

Answer 2(b)(iii)**Straight through Processing and Direct Market Access**

Straight through Processing (STP) is generally understood to be a mechanism that automates the end to end processing of transactions of financial instruments. STP allows electronic capturing and processing of transactions in one pass from the point of order origination to final settlement.

Direct Market Access (DMA) is a facility which allows brokers to offer clients direct access to the exchange trading system through the broker's infrastructure without manual intervention by the broker.

Answer 2(b)(iv)**Forward and Futures**

Forward contract is a customized contract between two parties, where settlement takes place on a specific date in future at a price agreed today.

Futures is a contract to buy or sell an underlying financial instrument at a specified future date at an agreed price (strike price) quoted when the contract is entered.

Answer 2(c)(i)**Cash Transaction Report**

The Prevention of Money Laundering Act, 2002 and the Rules thereunder require every intermediary to furnish details of the following cash transactions:

- (A) All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.
- (B) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.

Answer 2(c)(ii)**Suspicious Transaction Report**

The Prevention of Money Laundering Act, 2002 and the Rules notified thereunder require every intermediary to furnish details of suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith –

- (a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- (b) appears to be made in circumstances of unusual or unjustified complexity; or
- (c) appears to have no economic rationale or bonafide purpose; or

- (d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Question 3

- (a) Write short notes on the following :

- (i) Venture capital funds
- (ii) Offshore hedge funds
- (iii) Derivatives' contracts
- (iv) Collective investment schemes.

(2 marks each)

- (b) Expand the following abbreviations :

- (i) SMILE
- (ii) NDTL
- (iii) CFDS.

(1 mark each)

- (c) Discuss briefly the different surveillance systems adopted by stock exchanges.
(4 marks)

Answer 3(a)(i)

'Venture capital fund' under SEBI(Venture Capital Funds) Regulations, 1996 means a fund established in the form of a trust or a company including a body corporate and registered under these regulations which—

- (i) has a dedicated pool of capital,
- (ii) raised in a manner specified in the regulations, and
- (iii) invests in venture capital undertaking in accordance with the regulations.

Answer 3(a)(ii)

Offshore hedge funds are typically organized as corporations in countries such as the Cayman Islands, British Virgin Islands, the Bahamas, Panama, the Netherlands Antilles or Bermuda. Offshore funds generally attract investments of US tax exempt entities, such as pension funds, charitable trusts, foundations and endowments, as well as non-U.S. residents. U.S. tax-exempt investors favour investments in offshore hedge funds because they may be subject to taxation if they invest in domestic limited partnership hedge funds.

Answer 3(a)(iii)

Derivatives are contracts which derive values from the value of one or more of other assets, called underlying assets. Derivatives contracts can be of different types like futures, options, swaps, forwards. Futures contract is a contract to buy or sell an underlying financial instrument at a specified future date at an agreed price (strike price) quoted when the contract is entered. Option contracts give its holder the right but not the obligation to take or make delivery on or before specified date at an agreed price (strike price).

Answer 3(a)(iv)

The Collective Investment Scheme has been defined under Section 11AA of SEBI Act, 1992. It means any scheme or arrangement made or offered by any company under which (a) the contributions, or payments made by the investors, by whatever name called, are pooled and utilised solely for the purposes of the scheme or arrangement; (b) the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable from such scheme or arrangement; (c) the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors; and (d) the investors do not have day to day control over the management and operation of the scheme or arrangement.

Answer 3(b)

- (i) SMILE – Securities Markets Infrastructure Leveraging Expert Task Force
- (ii) NDTL – Net Demand and Time Liabilities
- (iii) CFDS – Corporate Filing and Dissemination System.

Answer 3(c)

Surveillance systems may be

- (i) *On line Surveillance*

On-line Real Time Surveillance system has a facility to generate the alerts on-line, in real time, based on certain preset parameters like price and volume variations in scrips, members taking unduly large positions not commensurate with their financial position or having large concentrated position(s) in one or few scrips, etc.

- (ii) *Off-Line Surveillance*

The Off-Line Surveillance system comprises of the various reports based on different parameters and scrutiny thereof such as High/Low Difference in prices; % change in prices over a week/fortnight/month; Trading in infrequently traded scrips etc.

- (iii) *Derivative Market Surveillance* includes abnormal fluctuation in the prices of a Series, Market Movement (Cash vis-à-vis Derivative) and Member Concentration (Cash vis-à-vis Derivative).
- (iv) *Surveillance* also includes in-depth Investigations, Rumour Verification and Pro-active measures.
- (v) *Surveillance Action* at exchange level includes Special margins, Reduction of Circuit Filters and Circuit Breakers etc.

Question 4

(a) Explain the following terms related to buy-back of securities :

- (i) Letter of offer
- (ii) Specified date.

(2 marks each)

(b) List out various money market instruments. (5 marks)

(c) What is 'short selling' ? Discuss the mechanism of securities lending and borrowing scheme (SLBS). (6 marks)

Answer 4(a)(i)

The letter of offer is the document which is being dispatched to security holders containing the disclosures specified in schedule III of SEBI (Buy Back) Regulations, 1998. The company has to file draft letter of offer with SEBI within seven days of public announcement and the letter of offer shall be dispatched not earlier than 21 days from the submission of draft letter of offer with SEBI.

Answer 4(a)(ii)

"Specified Date" means the date on which the names of the security holders would be determined for the purpose of dispatch of letter of offer to security holders.

Answer 4(b)

Various Money market instruments are as under:

- Government Securities
- Money at Call and Short Notice
- Bills Rediscounting
- Inter-Bank Participation (IBP)
- Money Market Mutual Funds (MMMFs)
- Call Money Market and Short-term Deposit Market
- Treasury Bills
- Certificates of Deposits
- Inter-Corporate Deposits
- Commercial Bills
- Commercial Paper
- Gilt-edged (Government) Securities

Answer 4(c)

"Short selling" is defined as selling a stock which the seller does not own at the time of trade. All classes of investors, viz., retail and institutional investors, are permitted to short sell. Securities lending and borrowing (SLB) scheme provides for the following mechanism for borrowing of securities to enable settlement of securities sold short:

- The SLB is operated through Clearing Corporation/ Clearing House of stock exchanges having nation-wide terminals who are registered as Approved Intermediaries (AIs).
- The SLB takes place on an automated, screen based, order-matching platform which will be provided by the AIs.

- The borrowers and lenders access the platform for lending/borrowing set up by the AIs through the clearing members (CMs) (including banks and custodians) who are authorized by the AIs in this regard.
- The tenure of lending/borrowing is fixed as standardised contracts.
- The settlement cycle for SLB transactions is on T+1 basis.
- The settlement of lending and borrowing transactions is independent of normal market settlement.
- The settlement of the lending and borrowing transactions is done on a gross basis at the level of the clients i.e. no netting of transactions at any level will be permitted.

Question 5

- (a) *Explain briefly the various factors for judging the efficiency of mutual funds.*
(4 marks)
- (b) *Discuss briefly the obligations and responsibilities of bankers to an issue.*
(5 marks)
- (c) *What is Securities Appellate Tribunal (SAT) ? Explain the procedure for appeal to SAT.*
(6 marks)

Answer 5(a)

The efficiency of mutual funds may be judged on the factors such as -

- Stability of funds
- Liquidity of funds (listed on exchanges)
- Increase in NAV, consistent growth in dividend and capital appreciation
- Whether the investment objectives are clearly laid and implemented
- Whether the issuer has a proven track record and offers assured return or return not less than a percentage
- Whether it observes investment norms to balance risks and profits.

Answer 5(b)

Regulation 12 of SEBI (Bankers to an Issue) Regulations, 1994 requires every banker to an issue to maintain various records.

The Banker to an issue is required to intimate SEBI about the place where these documents are kept and preserve them for a minimum period of 3 years.

The banker to an issue need to inform SEBI as to the number of issues for which he was engaged as banker and certain additional information regarding the monies received, the refunds made and the dividend/interest warrant paid.

The banker to an issue is required to enter into an agreement with the body corporate for whom he is the banker to an issue and also inform SEBI about disciplinary action taken, if any by the RBI against him in relation to issue payment work. Every banker to issue is to abide by the Code of Conduct as specified in Schedule III of SEBI (Bankers to an Issue) Regulations, 1994.

Answer 5(c)

The Central Government may, by notification establish an appellate tribunal known as Securities Appellate Tribunal (SAT) to exercise the jurisdiction, powers and authority conferred on such tribunal under the SEBI Act, 1992. The Central Government has set up a tribunal at Mumbai.

- Any person aggrieved,-
 - (a) by an order of SEBI made, under this Act, or the rules or regulations made thereunder; or
 - (b) by an order made by an adjudicating officer under this Act, may prefer an appeal to a Securities Appellate Tribunal having jurisdiction in the matter.
- No appeal shall lie to the SAT from an order made
 - (a) by SEBI;
 - (b) by an adjudicating officer, with the consent of the parties.
- Every appeal shall be filed within a period of forty-five days from the date on which a copy of the order made by SEBI or the adjudicating officer is received by him and accompanied by such form and fees as may be prescribed.
- The Securities Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.
- On receipt of the appeal, the Securities Appellate Tribunal may, after giving the parties to the appeal an opportunity of being heard, pass such order thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

PART B

(Answer ANY TWO questions from this part.)

Question 6

- (a) *What is 'parking' of external commercial borrowings (ECB) proceeds ?*
(5 marks)
- (b) *What are the conditions for issue of Indian Depository Receipts (IDRs) ?*
(5 marks)
- (c) *Briefly explain the following terms related to public issue :*
 - (i) *Pre-issue advertisement*
 - (ii) *Anchor investor*
 - (iii) *Green shoe option*
 - (iv) *IPO grading*
 - (v) *Book building.* (2 marks each)

Answer 6(a)**Parking of ECB proceeds**

Borrowers are permitted to either keep ECB proceeds abroad or to remit these funds to India, pending utilization for permissible end-uses.

ECB proceeds parked overseas can be invested in the following liquid assets :

- (a) Deposits or Certificate of Deposit or other products offered by banks rated not less than AA (-) by Standard and Poor/Fitch IBCA or Aa3 by Moody's,
- (b) Treasury bills and other monetary instruments of one year maturity having minimum rating as indicated above, and
- (c) Deposits with overseas branches / subsidiaries of Indian banks abroad. The funds should be invested in such a way that the investments can be liquidated as and when funds are required by the borrower in India.

ECB funds may also be repatriated to India for credit to the borrowers' Rupee accounts with AD Category I banks in India, pending utilization for permissible end-uses.

Answer 6(b)

According to SEBI (ICDR) Regulations, 2009 an issuing company can issue IDRs only if it satisfies the following conditions:

- (a) issue size is not less than fifty crore rupees;
- (b) procedure to be followed by each class of applicant for applying is mentioned in the prospectus;
- (c) minimum application amount is twenty thousand rupees;
- (d) at least 50% of the IDR issued is allotted to qualified institutional buyers on proportionate basis ;
- (e) the balance 50% can be allocated among the categories of non-institutional investors and retail individual investors including employees at the discretion of the issuer and the manner of allocation is required to be disclosed in the prospectus. Allotment to investors within a category is to be on proportionate basis;
- (f) at any given time, there is only one denomination of IDR of the issuing company.

Apart from the above conditions, an issuing company has to comply with the conditions as specified in Companies (Issue of IDRs) Rules, 2004.

Answer 6(c)(i)

Pre-issue advertisement

The issuer company shall soon after receiving final observations, if any, on the offer document from SEBI, make an advertisement in an English National daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, in the prescribed format, subject to section 66 of the Companies Act, 1956. In case of a fast track issue, the advertisement shall be made before the issue opening date.

Answer 6(c)(ii)

“**Anchor Investor**” means a qualified institutional buyer who makes an application for a value of ten crore rupees or more in a public issue made through the book building process.

Answer 6(c)(iii)

“**Green Shoe Option**” means an option of allocating shares in excess of the shares included in the public issue and operating a post-listing price stabilizing mechanism in accordance with the provisions of Regulation 45 of SEBI (ICDR) Regulations, 2009.

Answer 6(c)(iv)

“**IPO Grading**” (initial public offering grading) is a service aimed at facilitating the assessment of equity issues offered to public. The grade assigned to any individual issue represents a relative assessment of the ‘fundamentals’ of that issue in relation to the universe of other listed equity securities in India. Such grading is assigned on a five-point scale with a higher score indicating stronger fundamentals.

Answer 6(c)(v)

“**Book Building**” means a process undertaken to elicit demand and to assess the price for determination of the quantum or value of specified securities or Indian Depository Receipts, as the case may be.

Question 7

- (a) *Who is an Ombudsman in stock market operations ? Discuss his role in investors’ protection.* (6 marks)
- (b) *List the approvals required for resource mobilisation by a company in the international capital market.* (7 marks)
- (c) *Discuss briefly the steps involved in the issue of bonus shares by a listed company.* (7 marks)

Answer 7(a)

“Ombudsman” means any person appointed under regulation 3 of SEBI (Ombudsman) Regulations, 2003 and unless the context otherwise requires, includes stipendiary Ombudsman. Regulation 2(n) of the regulations defines stipendiary Ombudsman as a person appointed under regulation 9 for the purpose of acting as Ombudsman in respect of a specific matters in a specific territorial jurisdiction and for which he may be paid such expenses, honorarium, sitting fees as may be determined by SEBI from time to time.

Role of Ombudsman in Investors Protection

- (a) Receives complaints against any intermediary or a listed company or both;
- (b) Considers such complaints and facilitate resolution thereof by amicable settlement;
- (c) Approves a friendly or amicable settlement of the dispute between the parties;
- (d) Adjudicates such complaints in the event of failure of settlement thereof by friendly or amicable settlement.

A person may lodge a complaint on various grounds to the Ombudsman.

Answer 7(b)**Approvals Required**

The issue of GDRs/FCCBs requires the following Approvals:

(a) *Approval of Board of Directors*

A meeting of Board of Directors is required to be held for approving the proposal to raise money from Euro Capital market. A board resolution is to be passed to approve the raising of finance by issue of GDRs/FCCBs.

(b) *Approval of Shareholders*

Proposal for making Euro issue, as proposed by Board of Directors require approval of shareholders through a special resolution.

(c) *Approval of Ministry of Finance—“In Principle and Final”*

In case of FCCB issue exceeding US \$ 100 million, the company needs to apply Ministry of Finance for approval.

However, ADR/GDR are under the automatic route and therefore there is no requirement of obtaining approval of Ministry of Finance.

Further, private placements of ADR/GDR also do not require prior approval provided the issue is lead managed by investment banker.

(d) *Approval of Reserve Bank of India*

The issuer company has to obtain approvals from Reserve Bank of India under circumstances specified under the guidelines issued by the concerned authorities from time to time.

(e) *In-principle consent of Stock Exchanges for listing of underlying shares*

The issuing company has to make a request to the domestic stock exchange for in-principle consent for listing of underlying shares which shall be lying in the custody of domestic custodian. These shares, when released by the custodian after cancellation of GDR, are traded on Indian stock exchanges like any other equity shares

(f) *In-principle consent of Financial Institutions*

Where term loans have been obtained by the company from the financial institutions, the agreement relating to the loan contains a stipulation that the consent of the financial institution has to be obtained. The company must obtain in-principle consent on the broad terms of the proposed issue.

Answer 7(c)

A company issuing bonus shares should ensure that the issue is in conformity with the SEBI (ICDR) Regulations, 2009.

Steps involved in issue of bonus shares

1. Ensure that bonus issue has been made out of free reserves built out of the genuine profits or securities premium collected in cash only and the reserves created by revaluation of fixed assets are not capitalised.

2. Ensure that the company has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it or in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity, bonus etc.
3. Ensure that the bonus issue is not made in lieu of dividend.
4. There should be a provision in the articles of association of the company permitting issue of bonus shares; if not, steps should be taken to alter the articles suitably.
5. The share capital as increased by the proposed bonus issue should be well within the authorised capital of the company; if not, necessary steps have to be taken to increase the authorised capital.
6. Finalise the proposal and fix the date for the Board Meeting for considering the proposal and for authorising the taking up of incidental and attendant matters.
7. The date of the Board Meeting at which the proposal for bonus issue is proposed to be considered should be notified to the Stock Exchange(s) where the company's shares are listed.
8. Hold the Board Meeting and get the proposal approved by the Board.
9. Immediately after the Board meeting intimate the Stock Exchange(s) regarding the outcome of the Meeting.
10. Ensure that the company has announced bonus issue after the approval of Board of Directors and has implemented bonus issue within fifteen days from the date of approval and must not have the option of changing the decision.

However, where the company was required to seek shareholders' approval for capitalization of profits or reserves for making bonus issue as per the Article of Association, the bonus issue has implemented within two months from the date of the meeting of the Board of Directors where in the decision to announce bonus was taken subject to shareholders' approval.
11. Send three copies of the notice of general meeting to the Stock Exchange(s) concerned.
12. Hold the general meeting and get the resolution for issue of bonus shares passed by the members. A copy of the proceedings of the meeting is to be forwarded to the concerned Stock Exchange(s).
13. Give 7 days notice to the Stock Exchange(s) concerned before the date of book closure/record date.
14. File return of allotment with the Registrar of Companies within 30 days of allotment. Intimate Stock Exchange(s) concerned regarding the allotments made and submit an application to the Stock Exchange(s) concerned for listing the bonus shares allotted.

Question 8

Write notes on any five of the following :

- (i) *Self certified syndicate bank*
- (ii) *Debt securities*

(iii) *Depository agreement*

(iv) *Employee stock option*

(v) *Fixed income products*

(vi) *Fast track issues.*

(4 marks each)

Answer 8(i)

Self Certified Syndicate Bank (SCSB) is a bank which offers the facility of applying through the ASBA process. A bank desirous of offering ASBA facility shall submit a certificate to SEBI as per the prescribed format for inclusion of its name in SEBI's list of SCSBs. A SCSB shall identify its Designated Branches (DBs) at which an ASBA investor shall submit ASBA and shall also identify the Controlling Branch (CB) which shall act as a coordinating branch for the Registrar of the issue, Stock Exchanges and Merchant Bankers.

Answer 8(ii)

Debt Securities : A tradable form of a loan/debt is normally termed as Debt Instruments/securities. It pertains to obligations of issuer with regards to certain future cash flows representing payment of interest and principal by the issuer to the holder (legal owner) of the instrument. There are various types of fixed income instruments, which cater to the needs of both investors and issuers. These instruments can be classified on the basis of interest, time duration, etc.

Answer 8(iii)

Depository agreement lays down the detailed arrangements entered into by the company with the Depository, the forms and terms of the depository receipts which are represented by the deposited shares. It also sets forth the rights and duties of the depository in respect of the deposited shares and all other securities, cash and other property received subsequently in respect of such deposited shares.

Answer 8(iv)

The term '**Employee Stock Option**' (**ESOP**) has been defined under Sub-section (15A) of Section 2 of the Companies Act, 1956, according to which 'employee stock option' means the option given to the whole-time directors, officers or employees of a company, which gives such directors, officers or employees the benefit or right to purchase or subscribe at a future date, the securities offered by the company at a pre-determined price.

Answer 8(v)

Fixed Income Products are investment vehicles which provide for fixed income returns on investments. Fixed Income Products includes Bank Fixed Deposits, Corporate Fixed deposits, Public Provident Fund, Kisan Vikas Patra, National Savings Certificate etc.

A bank basically has three types of deposits, i.e. time deposit, savings deposit and current account. NBFCs also accepts various types of deposits.

Answer 8(vi)

Fast Track Issues (FTIs) : Listed companies satisfying certain specified requirement are eligible to make fast track issue (FTIs) as per SEBI (ICDR) Regulations, 2009. Such listed companies are able to proceed with follow-on public offering/rights issue by filing a copy of the Red Herring Prospectus (in case of book built issue)/Prospectus (in case of fixed price issue) as the case may be, with SEBI and stock exchanges. Such companies are not required to file draft offer document with SEBI and stock exchanges.

Accordingly the provisions relating to filing of offer document are not applicable to public issue of securities by a listed issuer company or a rights issue of securities by a listed issuer company, where the aggregate value of such securities, including premium, if any, exceeds Rs. 50 lacs, subject to compliance of certain conditions as laid down in the SEBI (ICDR) Regulations, 2009.
