

UNDERSTANDING THE
SECURITIES MARKET
FROM INVESTOR'S PERSPECTIVE



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India



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Prepared Jointly by:

- **Securities and Exchange Board of India**
- **BSE Limited**
- **National Securities Depository Limited**
- **National Stock Exchange of India Limited**
- **Central Depository Services (India) Limited**
- **Metropolitan Stock Exchange of India Limited**

Reviewed & Designed by:

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Note for Reader:

This booklet is aimed at providing you with brief, basic information about the securities market. In case of further queries, you may visit the websites of SEBI, BSE, NSE, MSEI, NSDL and CDSL for online material.

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For recent market developments and initiatives, readers are requested to refer to recent laws, guidelines, directives framed thereunder and other relevant documents, as being declared from time to time. For any suggestions or feedback, please email us at feedback@sebi.gov.in.

Table Of Contents

Module A : An Introduction to the Securities Market



S.No.	Topic	Page No.
1.	Regulatory Framework for the Securities Market	9
2.	Basics of Securities Markets	10
3.	Primary Market and Secondary Market	13
4.	Who are the Market Infrastructure Institutions and Market Intermediaries in the Securities Market?	20

Module B : Basics of Investing



S.No.	Topic	Page No.
5	Investment Objectives and Risk Appetite	23
6	Key Risks in Investing in the Securities Market	24
7	How to Mitigate Risk ?	25

Module C : Account Opening Process



S.No.	Topic	Page No.
8	Pre-requisites for Investing in the Securities Market	27
9	Procedure for opening an Account: Know Your Customer (KYC) Process	29
10	Basic Services Demat Account (BSDA)	30
11	Demat Debit and Pledge Instruction & Power of Attorney	31
12	Nomination	34

Module D : How do I Invest in the Securities Market



S.No.	Topic	Page No.
13	Investment through the Primary Market	37
14	Process of Investing in the Primary Market	38
15	Application Supported by Blocked Amount (ASBA)	39
16	e-Voting, Transfer and Transmission of Shares	40
17	Investment through the Secondary Market	44
18	Trading Days and Settlement of Trade Contracts	45
19	Contract Note	46



S.No.	Topic	Page No.
20	SMS and Email Alerts to Investors	47
21	Running Account Authorization	47
22	Trade Verification	48
23	What is Margin Money?	48
24	Statement of Accounts from Stock Broker and Depository Participants	50
25	Consolidated Account Statement (CAS)	51

Module E : Mutual Funds and ETFs

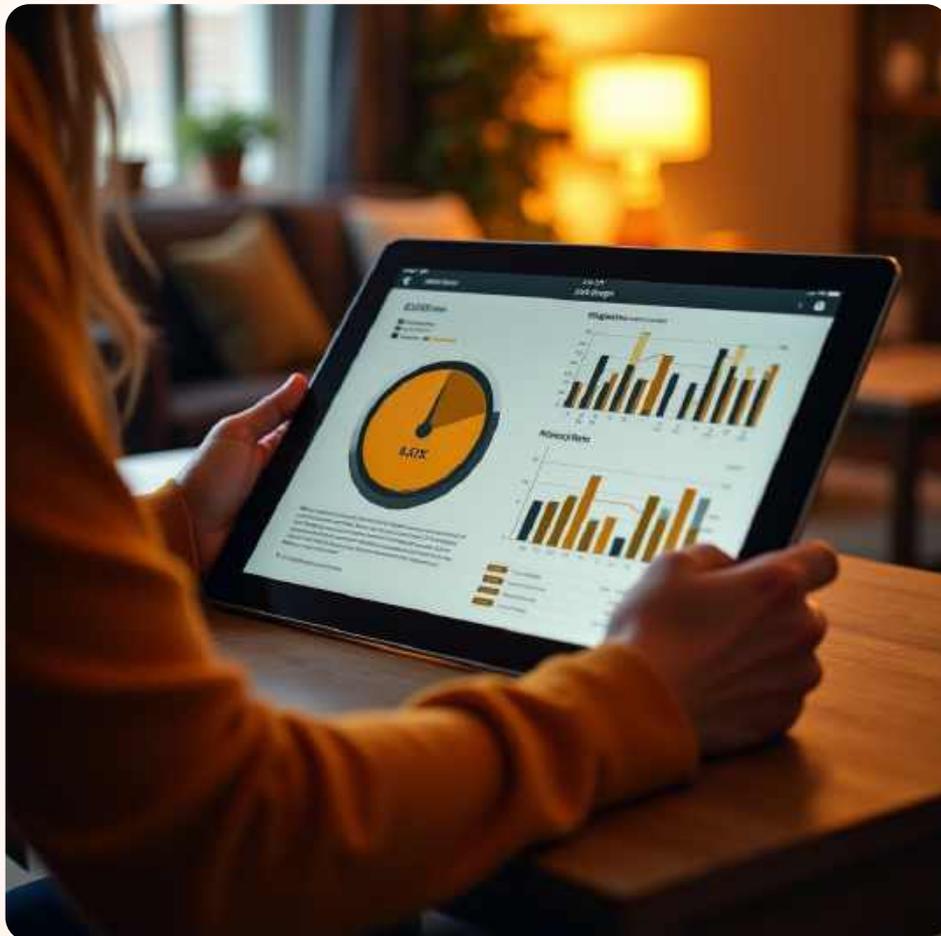


S.No.	Topic	Page No.
26	Mutual Funds	54
27	How to Invest in Mutual Funds	57
28	Product Labeling in Mutual Funds Exchange	60
29	Exchange Traded Funds (ETFs)	61
30	The Derivatives Market	62

Module F : Grievance Redressal in the Securities Market



S.No.	Topic	Page No.
31	SEBI Complaints Redress System (SCORES) & ODR	64
32	Investor Services Centres of Stock Exchanges	67
33	Investor Protection Fund & Investor Service Fund	67
34	Information about Unclaimed Shares & Unpaid Dividend Amount – IEPF	68



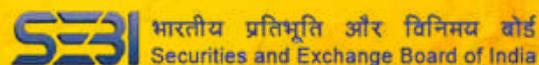
ANNEXURES

Topic	Pg. No.
Annexure – I Do's and Don'ts for investing and Trading in the Securities Markets	70
Annexure – II Rights and Obligations of Investors	71
Annexure – III Caution against Unregistered Investment Advisers	72
Annexure – IV Unified Payments Interface (UPI) in ASBA	76
Annexure– V Investor Charter- Stock Broker	79
Annexure – VI Guidelines for the Investor Protection Fund at Stock Exchanges and Depositories	85
Annexure– VII Glossary	88

Module A

An Introduction to the Securities Market

Issued by:



Greetings and Namaste...



Are you looking to grow your wealth by investing in company shares and mutual funds in the securities market?

“

You may like to understand the basics of investing in the securities market.

This booklet does not serve as a guide for any specific investment, but it gives basic information about the securities market. This booklet is not regarding investments in entities under the framework of other Regulators such as Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA), Ministry of Corporate Affairs (MCA), etc.

”

1. Regulatory Framework for the Securities Market

The regulation of buying, selling and dealing in securities such as shares of a company, units of mutual funds, Derivatives, etc. and stock exchanges, commodity derivative exchanges and depositories come within the purview of the Securities and Exchange Board of India (SEBI) in terms of the SEBI Act, 1992.



The Securities and Exchange Board of India (SEBI) was established on April 12, 1988, as a non-statutory body. It was later granted statutory powers on January 30, 1992, through the passing of the SEBI Act, 1992, making it an autonomous regulatory body for the Indian Securities Market. The mandate of SEBI is to protect the interests of investors in securities and to promote the development of, and regulate the securities market for matters connected therewith or incidental thereto.

The SEBI Act, 1992, which empowers SEBI with statutory powers for (i) Protecting the interests of investors in Securities, (ii) Promoting development of the Securities Market, and (iii) Regulating the Securities Market.

The Securities Contracts (Regulation) Act, 1956, which provides for recognition and regulation of transactions in securities on Stock Exchange.

At present, the four main legislations governing “the Securities Market” are:

The Depositories Act, 1996, which provides for electronic maintenance and transfer of ownership of dematerialized (demat) shares.

The Companies Act, 2013, which provides regulations for issuance, allotment and transfer of securities, and related matters in public issues of securities;

2. Basics of Securities Markets

Equity

Equity shares (commonly called shares) represent ownership in a company. An investor who buys shares of a company is called a shareholder and is entitled to receive corporate benefits, such as dividends, from the company's profits. Shareholders also have voting rights in the company's decision-making process at the General Meeting.



Debt Securities

Debt Securities are financial instruments issued by companies, institutions to raise/borrow money from investors and is repaid to the investor. They are also called debentures or bonds. An investor who invests in debt securities is entitled to receive payment of interest/coupons and repayment of principal (i.e. the money invested). Debt Securities are issued for a fixed term, at the end of which the securities can be redeemed by the issuer of securities. They can be secured (backed by collateral) or unsecured.



Derivatives

Derivatives are financial instruments whose value depends upon the value of another asset such as shares, debt securities, commodities, etc. The main types of exchange traded derivatives are futures and options.



Mutual Funds

Mutual funds are a type of financial instrument that consist of a pool of money collected from many investors. These pooled funds are then invested in various securities such as shares, bonds, money market instruments, and other assets.



REITs

Real Estate Investment Trusts (REITs) function as pooled investment vehicles, similar to mutual funds, but with a distinct focus on real estate. As their name indicates, REITs channel investments into real estate assets, offering an alternative route for individuals to participate in the property market without directly owning physical property. By regulation, REITs must be listed and traded on stock exchanges, which means investors can buy and sell them just like shares of any publicly listed company.

Real Estate Investment Trusts (REITs) are structured much like mutual funds, with a three-tier framework consisting of a sponsor, a management company, and a trust. The trust holds ownership of the real estate assets on behalf of the unit-holders and safeguards their interests. The management company is tasked with overseeing and managing the real estate portfolio, while the sponsor initiates and supports the trust. This tripartite arrangement is designed to provide investors with an added layer of security.

REITs generate income primarily through rental earnings from their property holdings and capital gains realized from property sales. After deducting expenses related to portfolio management and professional fees—including those of the trustees and the management company—the remaining profit is distributed to the unit-holders.

With a view to facilitate enhanced participation by Mutual Funds and Specialized Investment Funds (SIFs) in Real Estate Investment Trusts (REITs). REITs (Real Estate Investment Trusts) were earlier treated as a separate category of instruments in mutual fund regulations. REITs are now classified as equity-related instruments under SEBI's Mutual Fund Regulations, 1996. This aligns REITs with other equity-linked investments like shares, equity ETFs, and convertible securities.

InvITs



Infrastructure Investment Trusts (InvIT) are collective investment vehicles designed to channel funds into infrastructure projects. Their primary purpose is to open up investment opportunities in infrastructure—such as roads, highways, and power transmission lines—to retail investors, which were traditionally accessible only to large institutions. By pooling resources, InvITs allow investors to participate in a diversified portfolio of infrastructure assets, offering the potential for steady income streams and long-term capital appreciation, while simultaneously helping infrastructure developers tap into household savings.

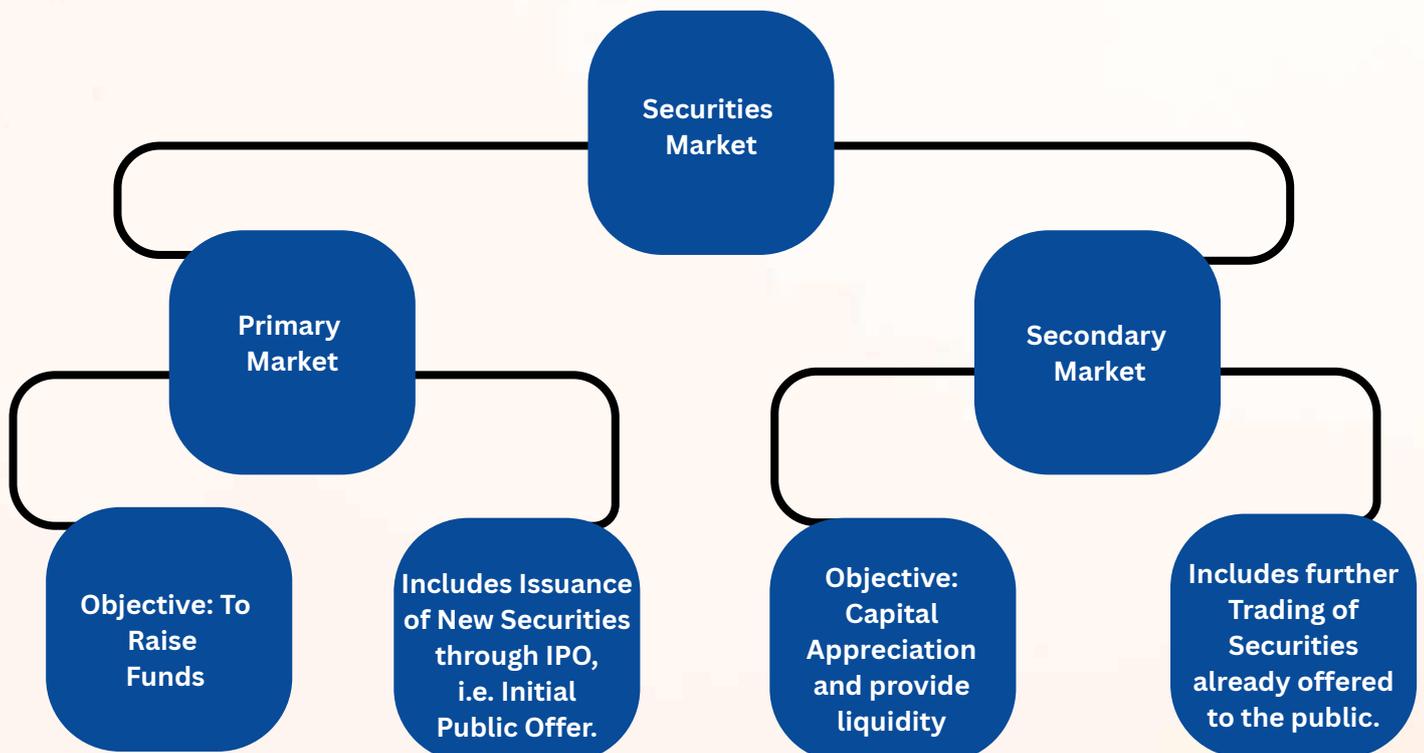
Sovereign Gold Bond Scheme (SGB) was launched in 2015 to provide an alternative way for investors to take exposure to gold as an investment. The government has discontinued new issuances due to high costs, though existing bonds remain valid with 2.50% annual interest.

What is the Securities Market?



The Securities Market is a place where companies can raise funds by issuing securities such as equity shares, debt securities, etc. to investors (public) and is also a place where investors can buy or sell various securities (shares, bonds, etc.). Once the shares (or securities) are issued to the public, the company is required to list the shares (or securities) on recognized stock exchanges.

The primary function of the securities market is to enable the allocation of savings from investors to those who need it. This occurs when investors invest in securities of companies /entities which are in need of funds. Investors are entitled to get benefits like interest, dividends, capital appreciation, bonus shares, etc. Such investments contribute to the economic development of the country.



3. The Primary Market and Secondary Market

Primary Market:

This market is also called as the new issues market where Companies or Institutions raise funds (capital) from the public by issuing new securities (shares, debentures, bonds, etc.).



Primary Market

SECONDARY MARKET



Below are the types of issuers of securities:

Issuer

Type of Securities

Specific Needs and Structures

Public Sector Units

- Equity shares
- Bonds

- May offer equity held by the Government to the public as disinvestment
- Bonds may have special tax concessions

Central, State and Local Governments

- Bonds (G-secs)
- Treasury bills

- Do not issue equity capital
- Only Central Government issues T-bills
- Instruments carry government guarantee
- Issued only in domestic markets in India

Banks, Non-banking Finance Companies, and Financial Institutions

- Equity shares
- Preference shares
- Bonds
- Convertible bonds
- Securitized paper
- Commercial paper
- Certificates of deposit

- Banks have low dependence on securities market due to access to public deposits
- May offer long-term bonds and preference shares as Tier-2 capital
- Issues may have special tax concessions
- May issue in international markets

Mutual Funds

- Units

- Capital is raised for specifically defined schemes
- Schemes may be issued for a fixed tenor (closed-end) or as open ended schemes
- Issues are only made in domestic markets

Investment Trusts (such as REITs, InvITs)

- Units

- Capital is raised for specifically defined schemes

Private Sector Companies

- Equity shares
- Preference shares
- Bonds
- Convertible bonds
- Commercial Paper
- Securitized paper

- High dependence on securities markets for raising capital
- May issue equity and debt instruments in international markets

The types of issues made in the Primary Market are:

1. Public Issue

Securities are issued to the general public and anyone can subscribe to them. Public issue of equity shares can be categorized as follows:

Initial Public Offer (IPO)

An IPO is where the first public offer of shares is made by a company. An IPO can be in the following forms:

Fresh issue of shares where new shares are issued by the company to public investors. In this kind of an issue, the funds of investors will go to the company to be used for the purpose for which the issue is made.

Offer for Sale where existing shareholders such as promoters or financial institutions or any other person offers their holding for sale to the public. In this kind of an issue, the funds of investors will go to such sellers of the shares and not to the company.



Follow on Public Offer (FPO)

A Follow-on Public Offer (FPO) is an issue of shares by a company that is already listed on a stock exchange. It is used to raise additional capital after an Initial Public Offering (IPO). In an FPO, shares may be offered by the company or by existing shareholders. The issue price can be fixed or determined through a book-building process. FPOs help companies fund expansion, reduce debt, or meet regulatory requirements. They also increase public shareholding and market liquidity.

2. Preferential Issue

In this mode of issue, securities are issued to an identified set of investors like promoters, strategic investors, employees, etc.



3. Bonus Issue

When the existing shareholders of a company are issued additional shares, in proportion to their existing shareholding and without any additional cost, it is called a **bonus issue**.

4. Rights Issue

When the Company gives its existing shareholders the right to subscribe to additional new shares, in proportion to their existing shareholding, it is called a **rights issue**.



Qualified Institutional Placement

A Qualified Institutional Placement (QIP) is a capital-raising mechanism in India that enables listed companies to issue equity shares, fully and partly convertible debentures, or any securities other than warrants which are convertible into equity shares, to a select group of institutional investors. Only institutional investors who are classified as "Qualified Institutional Buyers" (QIBs) by SEBI are eligible to participate in the placement. Preferential issue and QIP is part of private placement.

Right Entitlement

Rights Entitlement is the right given to eligible shareholders to apply for new shares in a rights issue, in proportion to their existing shareholding. Rights entitlements are mandatorily credited to the demat accounts of eligible shareholders as on the record date in an electronic, dematerialised form. A separate ISIN (International Securities Identification Number) is created for the REs to distinguish them from the main shares.

REs are traded on the secondary market platform of stock exchanges (like the NSE and BSE) similar to regular equity shares. This allows existing shareholders to sell their entitlements if they do not wish to subscribe to the additional shares, or for other investors (even those not existing shareholders) to buy them. Investors who hold REs (either original allottees or those who purchased them from the market) must apply for the underlying shares through the mechanism specified by SEBI from time to time.



What is Rights Entitlement?

It's the right for eligible shareholders to apply for new shares in a rights issue, based on their current shareholding.

How are Rights Entitlements distributed?

They are credited to shareholders' demat accounts electronically on the record date.

Can Rights Entitlements be traded?

Yes, they are traded on stock exchanges like regular shares, allowing shareholders to sell or other investors to buy them.

What must investors do with Rights Entitlements?

They must apply for the underlying shares through SEBI's specified mechanism.



More about a Rights Issue



- **Is it compulsory to subscribe to a Rights Issue?**

No, shareholders unwilling to subscribe to a Rights Issue can sell their rights in the open market through the rights entitlement trading platform of the stock exchange or via an off-market transaction. This is known as the renunciation of rights shares.

- **Who is eligible to participate in a Rights Issue?**

Rights are offered to only those shareholders whose names exist on the register of shareholders of the company on the record date i.e. the cut-off date for the issue of rights shares. T+1 settlement cycle, suppose the record date for right issue is December 11, 2025, then the ex-date for the right issue will be December 11, 2025. Because investor buying security on December 11, 2025, received security on December 12, 2025. Hence, these investors are not eligible for benefits of right issue.

- **What is the biggest advantage of a Rights Issue for a company?**

It is the fastest way of raising capital. Compared to public offerings, the Rights Issue offers a quicker and less regulatory-intensive approach to raising capital.

- **What are the advantages of Rights Shares?**

A rights issue of shares benefits existing shareholders, offering them the advantage of applying for shares at a discounted price and retaining their voting rights.

Understanding Rights Issues



Subscription Obligation

Shareholders are not compelled to subscribe



Rights Trading

Shareholders can sell their rights in the market



Eligibility Criteria

Only shareholders on the record date are eligible



Capital Raising Speed

It's the fastest way for companies to raise capital



Shareholder Benefits

Existing shareholders get discounted shares and retain voting rights

The Draft Prospectus



In order to raise funds from the public, companies need to file an offer document with SEBI which is called as the draft red herring prospectus or the draft prospectus. The prospectus contains details like history of the company, details of the promoters, business model of the company, financial history of the company, risks in the business in which the company operates, purpose for which the money is being raised, terms of issue and such other information that will help investors to make an informed decision investing in the shares of the company. Investors can participate in public issue through trading members, Banks (SCSBs), depository participant etc. They can apply through online or offline mode. The issue is open generally for 3-7 working days. The securities that are issued in the primary market are listed on a recognized Stock Exchange within 3 working days from the issue closure date for further trading. Shares allotted by the company are credited in the Demat account of the investor which is maintained with a Depository through a SEBI registered Depository Participant (DP). An investor can sell the shares on the stock exchanges through a SEBI registered Stock broker and receive the money.

Secondary Market:

Once the securities are issued in the primary market, they get listed on the Stock Exchanges and the investors can buy or sell these listed securities through Stock Exchanges via registered stock brokers (trading members). It is mandatory for investors to open trading account with the trading members and do the necessary KYC for trading on the Stock Exchange. Stock Exchanges have two main segments - Cash Market segment and the Derivatives Market segment.



4. Who are the Market Infrastructure Institutions and Market Intermediaries ?

Market Infrastructure Institutions:

The necessary infrastructure required to facilitate transactions in the securities market (viz. issue, purchase and sale of securities) is provided by Stock Exchanges, Depositories and Clearing Corporations. These institutions are known as Market Infrastructure Institutions (MIIs).

A list of SEBI-registered Market Infrastructure Institutions (MIIs) and Market Intermediaries can be accessed by scanning the QR code.



A

Stock Exchanges:

They provide a nation-wide computerized screen-based trading platform to facilitate buying and selling of securities, through their registered stockbrokers and at market determined prices, in a fair manner. The list of SEBI-recognized stock exchanges in India can be accessed by scanning the QR code.

The major nation-wide stock exchanges are BSE Limited (BSE), National Stock Exchange of India Limited (NSE) and Metropolitan Stock Exchange of India Limited (MSEI).



B

Clearing Corporations:

The main function of Clearing Corporations is to guarantee the settlement of trades executed on the Stock Exchanges. In other words, clearing corporations guarantee that every buyer will get securities that are bought by him and every seller will get money for the securities sold by him.



C

Depositories:

They hold securities of investors in dematerialized /electronic form and provide demat services to investors through their Depository Participants (DP). There are two depositories in our country namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Under each Depository, there are registered Depository Participants (DPs), which provide various services to investors like opening and maintaining a Demat account, dematerialization of shares, etc.



Market Intermediaries:



Market intermediaries play a vital role in ensuring the efficient functioning of both the primary and secondary markets. They facilitate the execution of buy and sell orders, engage in securities transactions, and provide essential information that supports trading activities. Key intermediaries include stockbrokers, depository participants, merchant bankers, share transfer agents, and registrars. All Securities Market Intermediaries must be registered with SEBI and are obligated to comply with the prescribed regulations designed to safeguard investor interests.

A

Stock Broker:

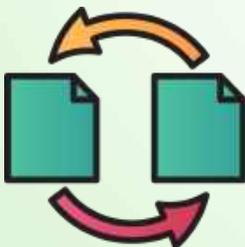


A stock broker is a member of a stock exchange and is registered with SEBI as an intermediary, who is permitted to do trades on the stock exchange platforms. A stock broker charges a fee /commission for executing a buy or sell order for an investor. Authorized person is not a member of a Stock Exchange but is any person, individual, partnership firm, LLP or body corporate, who is appointed as such by a Stock Broker (including Trading Member) and who provides access to trading platform of a Stock Exchange as an agent of the Stock Broker.

B

Depository Participants:

A Depository Participant (DP) is an agent of the depository through which it interfaces with the investor and provides depository services.



C

Registrar and Transfer Agent (RTA):

Registrar and Transfer Agents maintain a record of investor transactions and ownership details of securities on behalf of companies / fund houses.

Module B

Basics of Investing



5. Investment Objectives and Risk Appetite

Before you start investing in the securities market, you need to understand and identify your investment goals, objectives and risk appetite (the extent up to which you are willing to take risk). Every investment decision should reflect your needs and should be as per your desired preferences. For example, between choosing to invest in safe products that give steady returns or in slightly higher risk products that may give you higher returns.



Every investment comes with the risk of change in the inherent value of that investment. For example, an investment in shares of the automobile industry will attract the risk attached with the automobile industry (sales may go up or down or one brand of cars may be sold more than another brand, etc.)



Once you have identified your goals, investment horizon and risk appetite, calculate the amount you need to invest to achieve your goal. The ability to take on risk differs from investor to investor and is dependent on several factors, including goals, financials, as well as the age of the investor.

Investors should also be well informed about their investment, their rights and responsibilities, and the Do's and Don'ts of investing.

These documents are available on the websites of SEBI, stock exchanges and depositories.

The **Do's and Don'ts of Investing in the Securities Market** are also attached in **Annexure-I** of this booklet.

In addition to the same, the **Rights and Obligations of investors** are attached in **Annexure-II** of this booklet.

Further, an investor should read the investor charter of SEBI, Stock Exchanges, Depositories and other Market intermediaries. The investor charter may be accessed by scanning QR code.

Investors should make an informed decision before investing in the shares of a company. They should carefully read all the information related to the company such as disclosures, promoter details, project details, financial details, etc. These details can be found on the websites of the stock exchanges. For investing in the securities market, investors may also approach any SEBI Registered Investment Adviser.

A list of SEBI Registered Investment Adviser(s) can be accessed by scanning the QR code:



Investor
Charter



SEBI Registered
Investment
Adviser(s)

6. Key Risks in Investing in the Securities Market

Market risk or Systematic Risk

01

It refers to the risk faced by investments due to factors affecting the overall performance of securities and the general economy of the country.



Unsystematic Risk

02

Unsystematic risk can be described as the risk attached with a particular company or industry.



Inflation Risk

03

Inflation risk is also called purchasing power risk. It is defined as the chance that the cash flows from an investment would lose its value in the future because of a decline in its purchasing power due to inflation.



Liquidity Risk

04

Liquidity risk arises when an investment can't be bought or sold quickly.



Business Risk

05

It refers to the risk that a business of a company might be affected or may stop its operations due to an unfavorable operational, market or financial situation.



Volatility Risk

06

Volatility risk arises as the company's stock prices may fluctuate over time.



Currency Risk

07

It refers to the potential risk of loss from fluctuating foreign exchange rates that an investor may face when he has invested.



Credit Risk:

08

The risk involves the possibility of financial loss is a borrower such as bond issuer default on their obligations. Particularly relevant to Fixed Income Securities.



7. How to Mitigate Risk

Investors can try to mitigate risk by different means. Asset allocation is one strategy through which an investor can mitigate risk by diversifying their investments across different asset classes such as gold, silver, ETFs, mutual funds, and more.

DIVERSIFICATION RULE



Details about factors to consider before investing including Diversification and Asset Allocation are available by scanning the QR code:

A person who invests in mutual funds, PPF, gold, and other asset classes enjoys greater stability and growth potential, even if one asset class underperforms.



Word of caution:

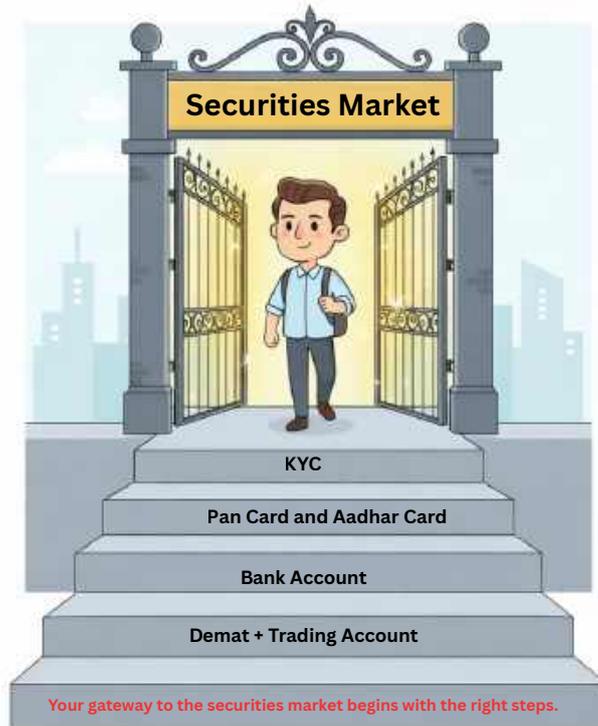
Investors should exercise caution against unsolicited investment advice from unregistered investment advisers. For details, you may refer to Annexure-III of this booklet.



Module C

Account Opening Process

Account Opening Process *Investor Entry Gate*



Your gateway to the securities market begins with the right steps.

8. Pre-requisites for Investing in the Securities Market

**BANK
ACCOUNT**

**TRADING
ACCOUNT**

**DEMAT
ACCOUNT**

1

The prospective investor must also have a valid bank account from which transactions can be made for pay-in and pay-out of funds. The details are to be given along with the KYC. This bank account will be mapped to the client's trading account and thereafter, generally, payment will be accepted only from this account.



- For fund transfers (to and from your Demat and Trading A/C)
- Dividends and sale proceeds are credited here

2

Trading account or broking account with a SEBI registered stock broker of a recognized Stock Exchange.

This account is used to buy and sell securities on the Stock Exchanges. To open a trading account, you have to fill an Account Opening Form and submit the signed Know Your Client (KYC) documents.

Why it's important :

- Executes orders to buy/sell
- Linked to your Demat and Bank A/C
- Opened with a SEBI-registered broker

3

Demat Account with a SEBI registered Depository Participant (DP) of either of the depositories (NSDL/CDSL) to hold securities in an electronic/demat format.



- Safely stores your investments
- No physical share certificates
- Opened with a Depository Participant (like a bank or broker)

Take the following precautions while filling up the account opening form:

1.

You should put your signatures while indicating preferences for trading in different segments (Cash, F&O, Currency Derivatives or any other segment)

2.

You should carefully note all the charges, fees and brokerage that are applicable on your accounts and keep a record of the same.

3.

Trading in derivatives requires an understanding of derivative products.

4.

If you wish to avail additional facilities such as the Running Account Facility or Demat Debit and Pledge Instruction (DDPI), you must specifically authorize your stock broker to avoid any future disputes.

5.

All clients should read the risk disclosure document and understand the extent of their exposure to risk before trading in the equity or derivatives market.

6.

You should always request and keep a copy of the account opening form for your records.



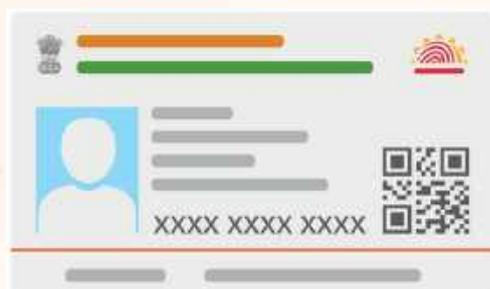
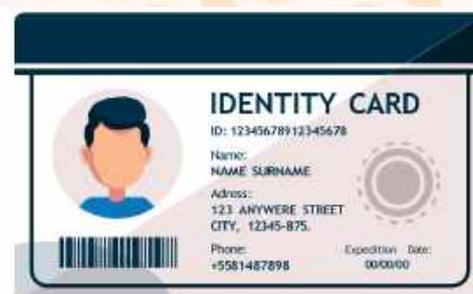
A combination of the three accounts (i.e. a bank account, a demat account and a trading account) is often referred to as the “3-in-1” account. Investors may either open three accounts separately with a different depository participant or broker or institution or also approach a single depository participant or broker or institution who provides the facility of opening all three accounts together.

The three accounts can be opened both online and offline. Opening accounts through mobile apps has now become a widely adopted method. When setting up your accounts, make sure to provide nomination details for each one, or explicitly state if you choose to opt out of nomination.

9. Procedure for Opening an Account: Know Your Customer (KYC) process

When you open a Demat, Trading, or Bank Account, you are required to submit Know Your Customer (KYC) documents. Let's understand what KYC means and why it is compulsory.

KYC is mandated under the Prevention of Money Laundering Act, 2002 and the rules framed thereunder. It is a regulatory requirement designed to verify the identity and address of investors, ensuring transparency and preventing misuse of the financial system.



To complete the KYC process, investors must submit government issued valid documents as proof of identity and address. Acceptable documents include:

- **PAN Card**
 - **UIDAI Aadhaar Card**
 - **Passport**
 - **Voter ID Card**
 - **Driving License**
- Additionally, investors are encouraged to link their PAN with Aadhaar for seamless compliance.
 - KYC is a one-time process. Once completed, it remains valid across all intermediaries in the securities market. This means you don't need to repeat the procedure each time you open an account with a new intermediary.

An investor can either do a physical KYC at the branch of the fund or at the registrar office. Alternatively, an investor can also do an e-KYC using his Aadhaar and PAN through their mobile device or through the web portal of the licensed entity. Standard document of account opening kit along with application form mainly includes; Rights & Obligations of stock broker and client, Uniform Risk Disclosure Documents (RDD), Guidance Note detailing Do's and Don'ts for trading on Exchanges, Document describing the Policies and Procedures of the stock broker, A tariff sheet specifying various charges, including brokerages.

e-KYC



An investor can either do a physical KYC at the branch of the fund or at the registrar office.

Alternatively, an investor can also do an e-KYC using his Aadhaar and PAN through their mobile device or through the web portal of the licensed entity. The e-KYC service launched by UIDAI shall be accepted as a valid process for KYC verification.

Fill in the account opening details/form online on the Stock Broker's website

Submit scanned copies of the mandatory documents, including Proof of Address (PoA) and Proof of Identity (PoI).

Complete the IPV (In-Person Verification) process over a video call

Digitally sign the document

Your account gets activated



- Ensure that you read and understand all the documents before signing them.
- Do not respond to or accept any E-KYC or Video KYC requests originating from unknown or unverified sources.
- Do not sign any blank document.
- Always refer to the Do's and Don'ts mentioned in the Annexure of the account opening kit.
- Ensure to register YOUR mobile number and email address with the bank, depository participant and stockbroker to receive SMS and email alerts regarding transactions in your account.

10. Basic Services Demat Account (BSDA)

Basic Services Demat Account (BSDA):

- With a view to achieve wider financial inclusion, encourage holding of demat accounts and to reduce the cost of maintaining securities in demat accounts for retail individual investors, "Basic Services Demat Account" (BSDA) has been introduced in August 2012.
- BSDA is the demat account facility which is provided to individuals who have only one demat account (across all depositories) and the value of holdings doesn't exceed Rs. 10 lakhs each for non-debt securities and debt securities, at any point in time. It is necessary to provide a mobile number and opt in for the SMS alert facility in order to avail BSDA.
- BSDA is beneficial for those investors who don't want to or can't trade regularly. Here is a quick overview of the holdings based criteria for charges payable by an investor.
- Holdings up to ₹4 Lakhs: Zero Annual Maintenance Charges (AMC).
- Holdings between ₹4 Lakhs and ₹10 Lakhs: A nominal AMC of up to a maximum of ₹100 per year.
- Holdings above ₹10 Lakhs: The account is converted to a regular demat account, and standard AMC charges (which vary by broker) apply.
- It is important to note that the specific maximum fee of ₹100 is defined by SEBI regulations, but individual Depository Participants (DPs) or brokers may offer variations on these terms, provided they remain compliant with the maximum limits. You should verify the exact AMC policy with your specific broker when opening a BSDA.
- Please check the website of SEBI or the respective Depository for the latest rules in this regard.

Do You Know ?

- A BSDA, or Basic Services Demat Account, is a cost-effective demat account introduced to encourage retail investors in India to participate in the securities market.
- Offers basic demat services with lower or zero annual maintenance charges (AMC) depending on your holdings.

Eligibility Criteria

- 1 You must be the sole holder of the account.
- 2 You can have only one BSDA account across all brokers
- 3 Your holdings must not exceed ₹10 lakh at any point



11. Demat Debit and Pledge Instruction (DDPI) & Power of Attorney (POA)

SEBI has introduced Demat Debit and Pledge Instruction (DDPI) replacing POA (Power of Attorney). DDPI is an authorization a client gives the Stockbroker and Depository Participant to access the demat account of the investor for the limited purposes mentioned here:



For the transfer of shares held in the demat account of the client, to the exchange when the stock is sold by a client.

For pledging/re-pledging of securities for the purpose of meeting margin requirements of a client.

For taking out shares from the demat account when a client participates in tender offers (Buyback or Delisting or Takeover)

For debiting Mutual Funds from the demat account on sale transactions

The **DDPI** shall serve the same purpose as the **POA** and significantly mitigate the misuse of POA. Since DDPI gives authorization only for specific reasons like a sell trade and pledging, there may be fewer instances of fraud. It also maintains a level of trust between the Demat account user and the broker/DP.



POA



DDPI

Word of caution:

In Case of Unauthorized Transactions

If any transfer of shares is carried out in your demat account without your authorization under the applicable framework (POA or DDPI), you should immediately raise the issue with your stockbroker. If you do not receive a satisfactory response, you must escalate the matter to the concerned Depository or Stock Exchange.



Is DDPI Compulsory?

DDPI is part of the Voluntary Documents and shall be executed only if the client provides his/her explicit consent for the same, including internet-based trading. The client may use the DDPI or opt to complete the settlement by issuing physical Delivery Instruction Slip (DIS) or electronic Delivery Instruction Slip (eDIS) themselves.

- The DDPI is also required to be adequately stamped.
- The DDPI can also be digitally signed by the clients.

DDPI – Depository Process

The Depositories ensure matching and confirming the transfer of securities with client-wise net delivery obligations arising from trades executed on the Exchanges for each settlement date.

Securities transferred on DDPI, are to be credited only to the client's trading member pool account. The DDPI provided by the client is registered in the demat account of the client by Trading Member /Clearing Member.

What is a POA?

A Power of Attorney (POA) was earlier used in the securities market to authorize a stockbroker or depository participant to operate a client's demat and bank accounts for facilitating the delivery of securities and pay-in/pay-out of funds. With the introduction of the Demat Debit and Pledge Instruction (DDPI) framework, POA is no longer required for these purposes. DDPI now provides a standardized and secure mechanism for authorizing brokers to debit securities for settlement obligations and to pledge/re-pledge securities for margin purposes. Signing a DDPI is optional and voluntary, and investors may revoke it at any time.

Validity of Existing POAs

Existing POAs already executed by investors in favour of stockbrokers or depository participants shall continue to remain valid and active until the investor chooses to revoke them. However, investors cannot execute any new POA for activities that are now covered under the DDPI framework.

12. Nomination

Nomination is a simple process by which account holder(s) of securities communicate his/her preference regarding who should receive their securities in case of his/her death.



- Only individual demat account holder(s) can add nominees.
- Only an individual can be a nominee.
- There can be up to 10 nominees in a demat account.

The nominees(s) shall receive the assets of deceased sole account / soleholder(s) as trustee on behalf of legal heir(s) of deceased holder(s) thereby effecting due discharge of the concerned regulated entity.

- Non-individuals like trusts, body corporates, partnership firms cannot add nominees.
- Further, non-individuals cannot be nominees.
- A minor cannot add nominees either, however, can be nominated.
- A nominee can be changed at any time by the account holder.

You can either Opt-in for Nomination through a 'Nomination Form' i.e., Opt-in means you wish to add nominee(s) in your demat account or you can Opt-out of Nomination through a 'Declaration Form' i.e., Opt-out means that you do not wish to add a nominee.

Though the option is available, it is highly recommended to add a nominee in your demat account. Further, please also note that a nominee can be changed at any point in time and there are no restrictions on the number of times nominee(s) can be changed.

Nomination and Declaration Form Signing

How should I sign the Nomination and Declaration Forms?

You can sign under your wet signature, use the e-Sign facility, or use online two-factor authentication (2FA) with a One-Time Password (OTP) sent to your registered mobile number and email address.

What if I use a thumb impression instead of a signature?

If you use a thumb impression, a witness signature is required on the forms.



SEBI has removed the requirement to freeze existing demat accounts and mutual fund folios that have not submitted a 'choice of nomination'. Such existing accounts/folios will not be frozen for non-submission.

However, for new demat accounts or mutual fund folios opened in single-holder names, investors are still required to either:

- Provide a nomination, or
- Submit a declaration opting out of nomination.

This requirement does not apply to joint accounts/folios, as nomination is not mandatory in cases where multiple holders exist.

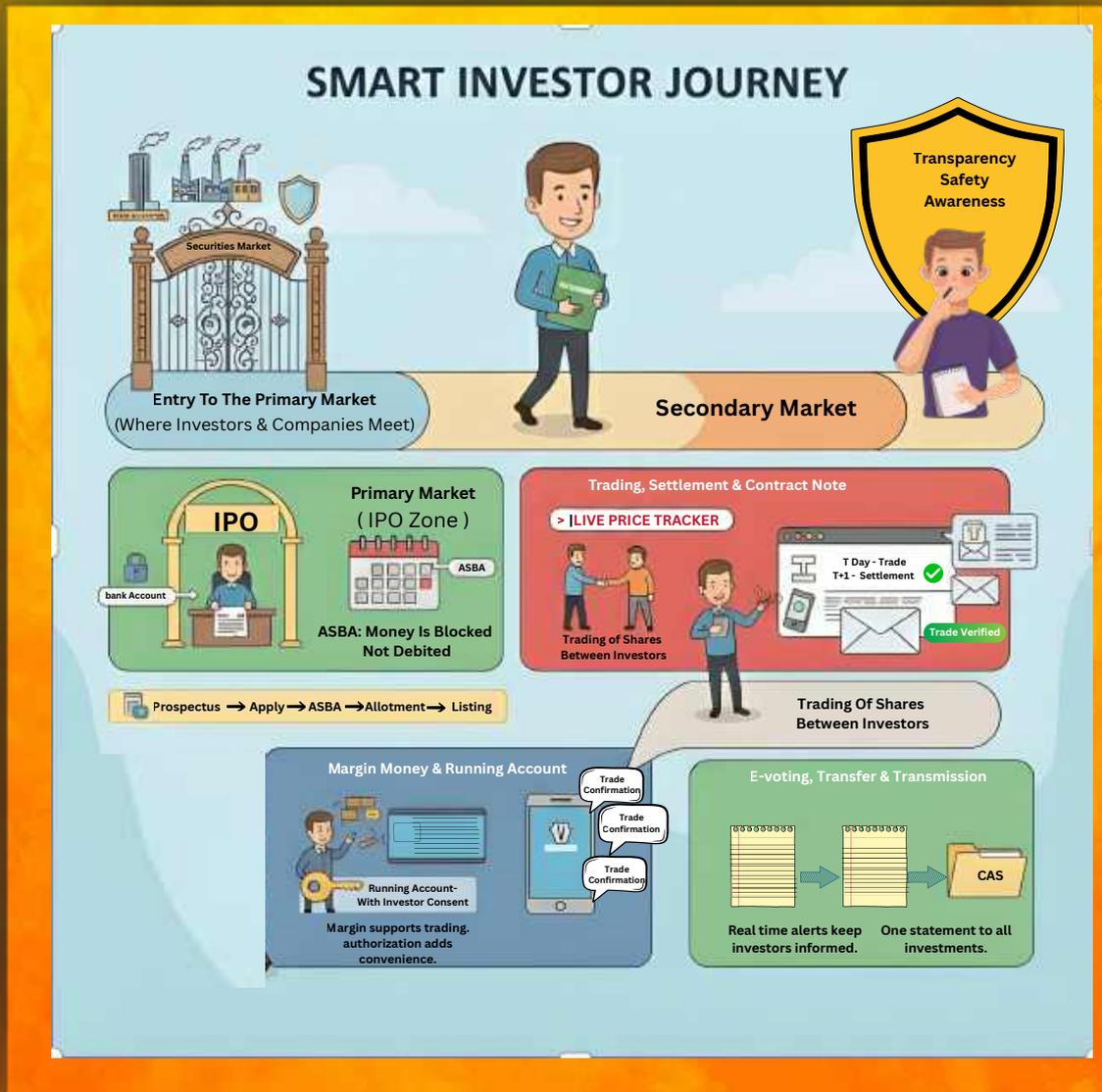
In the event of the death of an investor, nominees are now required to submit only a self-attested copy of the investor's death certificate and complete their own KYC in order to claim the assets. Affidavits, notarised documents, indemnities, or sureties are no longer required for transmission in demat accounts and mutual fund folios. Further, SEBI has introduced a centralized mechanism for reporting the demise of an investor through KYC Registration Agencies (KRAs). This enables smoother, faster, and uniform processing of transmission requests across intermediaries.

Accessibility and Inclusiveness of Digital KYC to Persons with Disabilities

The Hon'ble Supreme Court in its judgement dated April 30, 2025, emphasized the need for equal and accessible inclusion of persons with disabilities for availing financial services and directed to ensure that the process of digital KYC is accessible to persons with disabilities. In order to make the digital KYC process inclusive and accessible, FAQ on Account opening by Persons with Disabilities has been revised and is available on 'SEBI Website → FAQs → Know Your Client Requirements, Demat / Trading Account Opening → FAQ on Account Opening by Persons with Disabilities. Intermediaries shall extend their services enabling digital accessibility to client including persons with disabilities and shall be guided by the said FAQ on Account opening by Person with Disabilities. SEBI has issued guideline on "Rights of Persons with Disabilities Act, 2016 and rules made thereunder-mandatory compliance by all Regulated Entities". SEBI has mandated that all Digital Platforms of REs shall be compliant with the provisions of the Rights of Persons with Disabilities Act, 2016 ("RPwD Act, 2016") and corresponding rules as specified in the circular with regards to accessibility to person with disabilities.

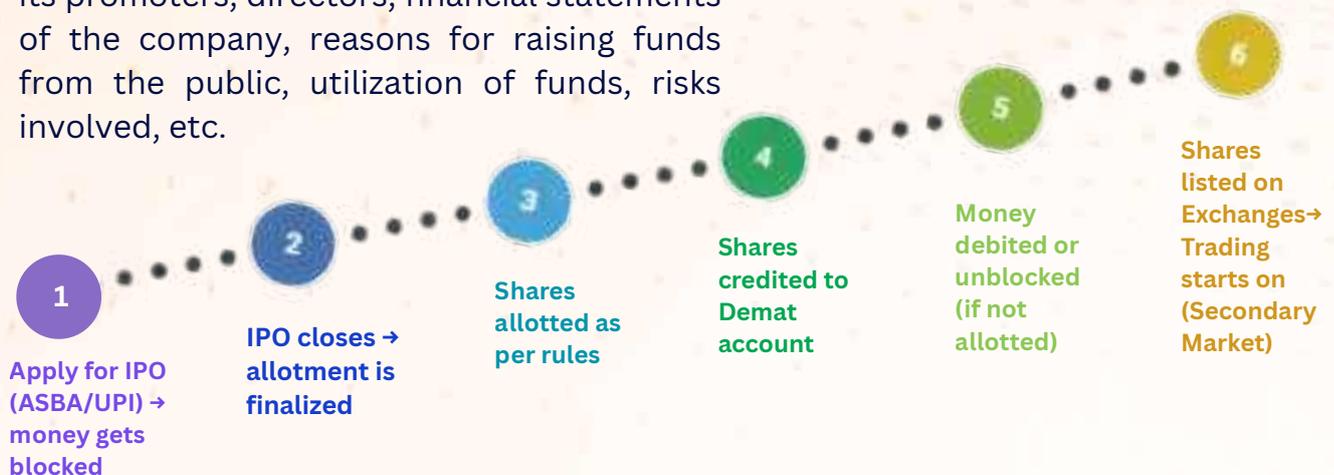
Module D

How do I Invest in the Securities Market



13. Investing through the Primary Market

- When a company issues shares to the general public through a public offer, an investor can apply for them by submitting the necessary application form.
- Investors should read **the Red Herring Prospectus (RHP)** issued by the company at the time of public issue.
- RHP contains details about the company and its promoters, directors, financial statements of the company, reasons for raising funds from the public, utilization of funds, risks involved, etc.



Application for IPOs can also be made online in the electronic mode. For issuance of securities, the issuer company has to follow certain rules and regulations. Shares will be allotted as per the prescribed rules & regulations. The shares allotted will be credited in the applicant's Demat Account maintained with DP. Allotment of securities will be made in demat form. Within three working days of closure of the issue, shares allotted are listed on recognized Stock Exchanges where further trading of shares can take place.

Please Note:

With effect from April 01, 2019, securities can be transferred or traded only if the same are held in Demat form. It is therefore advisable to open a demat account and hold all the securities in demat form. This rule is not applicable if the shares are to be transmitted to legal heirs by way of inheritance or succession.

14. Process of Investing in Primary Market



All the investors shall mandatorily use **Application Supported by Blocked Amount (ASBA) facility for all issues opening from 01 January 2016 onwards**. SEBI further advised that, the ASBA applications in public issues shall be processed only after the application monies are blocked in the investor's bank accounts. To further streamline the process of IPO, SEBI had decided the use of Unified Payment Interface (UPI) as a payment mechanism with Application Supported by Block Amount (ASBA) for application in public issues by retail investors through intermediaries (Syndicate members, Registered StockBrokers, Registrar and Transfer agent and Depository Participants). Under ASBA, the application money is blocked in the investor's bank account and debited only to the extent of allotted shares; unallotted funds remain available immediately after the basis of allotment.

SEBI decided that all Individual Investors applying in Public issues where the application amount is up to 5 Lakhs shall use UPI and shall also provide their UPI ID in the bid-cum-application form submitted with above mentioned entities. SEBI has also introduced validated UPI handles (with an "@valid" tag) and a 'SEBI Check' tool for verifying the authenticity of intermediaries' UPI IDs and bank details.

The listing of IPO shares must be completed within T + 3 working days from the issue's closure date (effective 1 Dec 2023). Shares allotted are credited directly to investors' demat accounts, and funds are automatically debited for the allotted quantity. If no allotment occurs, the blocked amount is released without delay.

Word of caution:

- Read the prospectus/red herring prospectus/offer document of the company carefully before investing in the shares of a company.
- Take due care about the price and quantity of shares while applying for the public issue.
- Keep a note of the price at which you applied for the shares.
- Don't invest on the basis of market sentiment, rather analyze the company and its financials and invest smartly.



15. Application Supported by Blocked Amount (ASBA)

The Securities and Exchange Board of India (SEBI) has made ASBA (Applications Supported by Blocked Amount) mandatory for all categories of public issue investors, including retail investors. This measure streamlines the application process, enhances safety, and ensures transparency.



Under ASBA:

- The amount corresponding to the shares applied for is blocked in the investor's bank account.
- The funds remain in the account until the allotment process is completed.
- On allotment, the requisite amount is automatically debited, while the unallotted portion remains untouched—eliminating the need for refunds.
- The blocked amount continues to earn interest as per the bank's terms.
- Investors can apply through ASBA using the online facilities of Self-Certified Syndicate Banks (SCSBs). A complete list of SCSBs is available on SEBI's website.

- In addition, retail investors may apply using the Unified Payments Interface (UPI) under UPI ASBA 2.0, where the transaction limit for IPO applications is ₹5 lakh per application.
- To further strengthen safety and reduce fraud risks, SEBI has introduced validated UPI handles, which are: Identifiable by an "@valid" tag.
- These verified handles carry category-specific suffixes (e.g., .brk for brokers, .mf for mutual funds).
- Display a green "thumbs-up" icon on QR codes.
- Investors can also verify intermediaries' UPI IDs and bank details in real time using the "SEBI Check" tool available on SEBI's investor website.



The detailed process of investing via UPI is explained in Annexure-IV of SEBI's guidelines.

16. E-Voting, Transfer and Transmission of Shares

(A) E-Voting Facility for Shareholders

E-Voting takes place through an electronic system where shareholders can vote on resolutions of companies requiring their consent.



The need for e-Voting arises when a company wishes to pass a resolution by Postal Ballot/Annual General Meeting (AGM)/Extra-Ordinary General Meeting (EGM) which requires shareholders' consent. e-Voting facilitates shareholders to cast their vote in electronic form, whether shares are held in paper or Demat form, with any depository.

Benefits of e-Voting system:

- Ease of operation: Available online 24*7. You can exercise your Voting rights anytime, anywhere using your laptop or mobile.
- Single login for one Shareholder: A common login ID can be used for voting across companies.
- Ample time to vote until the end of the voting cycle.
- Eliminates the possibility of postal ballots getting lost in transit.
- To cast your vote as a shareholder, you may visit the e-voting website of the depository/depository participants or use their mobile apps.
- SEBI launched a new feature to assist retail investors in making informed voting decisions. This allows retail investors to access professional governance analysis previously expensive or hard to find—at the exact moment of decision making without leaving the app. A "Proxy Advisory" feature was integrated directly into the Unified Investor Apps (SPEED-e by NSDL and MyEasi by CDSL).
- How it Works: When you log in to cast your e-vote, you can now view vote recommendations ("For," "Against," or "Abstain") from SEBI-registered proxy advisory firms (such as IiAS, SES, and InGovern) directly on the voting screen.

(B) Transmission of Shares

Transmission of securities is a process by which securities are transferred from a deceased account holder to surviving joint holders(s) or legal heirs or nominee(s).

Steps for Transmission:



1. Surviving Joint holder(s), nominee or legal heirs of the deceased account holder to approach the Depository Participant (DP)

2. For shares held in physical form-approach each Company and their respective RTAs.

	A	B	C
	In the event of	Nomination given	Nomination is not given
Transmission in favour of			
Death of a Single Holder		Nominee	Legal heir (as per Succession Certificate or Will or Probate or Letter of Administration)
Death of one of the joint holders		Nominee(s) or Surviving Joint Holder(s)	Surviving Joint Holder(s)
Death of all the joint holders		Nominee	Legal heir (as per Succession Certificate or Will or Probate or Letter of Administration)

(i) In the case of demise of single holder with nomination, the Nominee(s) may submit the following documents:

- I. Transmission Form**
- II. Death Certificate**
- III. Nominee's PAN**
- IV. Nominee's Client Master Report**

In the case of the demise of a single holder without nomination, legal heir(s) may submit the following documents, based on value of securities:

If it is less than Rs.15 lakh as on the date of application (held in demat form):

- I. Transmission Form**
- II. Death Certificate**
- III. PAN of Legal Heir(s)**
- IV. Affidavit**
- V. Client Master Report of Legal Heir(s) or claimant(s)**
- VI. Legal heirship certificate or succession certificate or probate or will or letter of administration, or a copy of the Indemnity bond, NOC of Legal Heir(s) or a family settlement deed is required.**

If the securities value is more than Rs. 15 lakh as on the date of application (held in demat form):

- I. Transmission Form**
- II. Death Certificate**
- III. PAN of Legal Heir(s)**
- IV. Affidavit**
- V. Client Master Report of Legal Heir(s) or Claimant(s)**
- VI. Legal Heirship Certificate or Succession Certificate or Probate or Will or Letter of Administration (This is mandatory)**

(C) Investor holding physical shares

- Dematerialization allows investors to convert physical shares to demat. All kinds of securities such as equity, preference shares, debentures, bonds, mutual funds units, government securities, sovereign gold bonds etc., can be dematerialized.
- If you hold shares in physical form, it is advisable to get them dematerialized at the earliest for ease, convenience, and safety of transactions.
- The transfer of shares in Demat form has been reopened from February 5, 2026, for a limited period of one year.
- Unlisted securities can also be held in demat form.

Pre-requisites for Conversion from Physical to Demat

A. Have a active Demat account with any DP

B. Securities should be available for dematerialization (active ISIN).

- Details of companies whose securities are available for Demat are available on the websites of Depositories. You can find the ISIN and its status there.
- Check that the RTA of the company has not stopped service.
- The Details of Registrar and Transfer Agent (RTA) of companies are available in the “**Investor Relations**” section of the Company website.

Process for Dematerialization:

Scenario 1:

If you already have a demat account:

You can visit your Depository Participant (Bank/Broker), fill up the Dematerialization Request Form (DRF) form available with the DP, attach your physical share certificates with it and submit the same to the DP.

Scenario 2:

If you do not have a demat account:

You can visit any Depository Participant (Bank/Broker) of your choice and open a demat account.

Then follow the procedure as specified in scenario 1.

Off-Market Transfer to Demat

- Securities transfer between two beneficial owner accounts is called an “Off-market Transfer”. The gift of shares to your family members is an example of an Off-market-Transfer.
- To execute an off-market transfer, one level client authentication is introduced. Client consent is required through a One Time Password (OTP) for off-market transfer of shares in a Demat account.
- Further, during an off-market transfer, the source client will need to mention the reason and consideration, if any/applicable, for such off-market transactions.

17. Investing through the Secondary Market

What is the Secondary Market?

Once you have opened a trading or broking account with a stock broker of a recognized Stock Exchange, you can buy or sell shares of a company through the stock broker at the stock exchange. You can place the order for purchase or sale of securities through your broker using the online trading account by visiting broker's website, mobile trading app, through the phone using the Call & Trade facility, by physically visiting the broker's office or through Authorized Persons of stock brokers.

Modes of Placing Orders

- **Online or Mobile Trading Platform:** The most popular method, using broker apps or websites to directly place buy/sell orders.
- **Telephone or Phone Call:** Investors call their broker to place orders verbally.
- **Email:** Sending instructions to the broker via designated email.
- **Physical Visit:** Visiting the broker's office to place orders.



Types of Placing Orders in the Secondary Market

Market Order



Executes immediately at the best available price.

Stop-Loss Order



Triggers a market/limit order when a set trigger price is reached (used to limit loss).

Day Order



Valid only for the trading day; cancels if not executed.

Limit Order



Executes only at the price you set (or better).

Stop-Loss Limit Order



Triggers a limit order after the stop price hits (price control + protection).

Immediate or Cancel (IOC)



Executes instantly (full/partial), remaining quantity is cancelled.

Good Till Triggered (GTT)



Order activates when the trigger price is reached (broker/platform feature).

Word of caution:

- Always ensure that you keep adequate funds or securities in your bank or demat account, respectively, before the date of pay-in of the settlement cycle of the trade.
- Non-availability of sufficient funds or securities for settlement may lead to a levy of penalty and further losses for the investor.



18. Trading Days and Settlement of Trade Contracts

- Trading on the Stock Exchanges takes place Monday to Friday (except on holidays declared by the Stock Exchanges).
- SEBI has mandated stock broker to collect upfront margin (Value at Risk and Extreme Loss Margin) from the client before execution of trade.
- In the case of purchase of shares, investors are required to make a payment to the bank account of their stock broker prior to the pay-in day for the relevant settlement (preferably immediately after receiving confirmation from the broker that the purchase order is successfully executed)
- Similarly, in the case of sale of shares, you are required to deliver the shares to the demat account of the broker prior to the pay-in day for the relevant settlement.



Word of caution:

- Buying or selling of shares should be done only through a SEBI registered stock broker or Authorized Person.
- Always keep a record of the orders placed by you to the broker, while trading in the secondary market.



19. Contract Note

A Contract Note serves as evidence of a trade executed by the stock broker. It is a legal document that contains transaction details such as the securities bought or sold, trade price, time of trade, brokerage, and other charges.

Contract Notes may be issued in either physical or electronic form. If you opt for an electronic contract note, you must provide specific authorization to the stock broker along with your email ID.

These electronic notes are digitally signed, encrypted, and tamper-proof. Investors should preserve contract notes for future reference, as they are crucial in the event of any dispute.



Contract note is legal proof in disputes.

Word of caution:

- A Contract note shall be issued by the stock broker within 24 hours of the execution of the trade. In case of any discrepancy in the contract note, the investor should immediately take up the matter with the stock broker.
- Always cross check the records maintained by you, while placing orders in the market, with the details mentioned in the Contract Note. In case of any discrepancy, contact your broker immediately.



20. SMS and Email Alerts to Investors

SMS and Email Alerts to Investors

SMS and Email Alerts are notifications sent by stock exchanges, depositories (NSDL/CDSL), and brokers to investors to keep them informed about activities in their trading and demat accounts.

Purpose:

- Ensure transparency
- Provide real-time updates
- Help prevent fraud/unauthorized transactions

Common alerts include:

- Trade confirmation (buy/sell details)
- Funds debit/credit updates
- Demat account debit/credit of securities
- Settlement and pledge activity
- Login/password change alerts



21. Running Account Authorization

What is Running Account Authorization?

Running Account Authorization is a facility through which an investor authorizes the stock broker to retain funds in the trading account for use in future transactions. Earlier, settlement of the running account was voluntary, but now the process has been standardized across the industry. SEBI has also discontinued the running account facility for securities. Normally, a broker must settle a buy/sell transaction within 24 hours of the pay-out of funds. Securities pay-out is credited directly to the client's demat account by the clearing corporation.

However, investors who trade regularly may specifically authorize the broker to maintain a Running Account, where the investor's funds are kept separately with the broker. This facility provides convenience, as the retained funds can be adjusted against settlement obligations of future trades.



Is it Mandatory?

?

Expert Advisor

- ✗ No. It is completely optional.
- ✓ Investors can choose not to give this authorization
- ✓ Investors can revoke it anytime

22. Trade Verification

What is Trade Verification?

- Trade Verification is a process that allows investors to confirm whether a trade shown in their account was actually done by them.
- It helps ensure that no unauthorised or incorrect trade has been executed in your name.
- Every trade must be verifiable by the investor.



How Does Trade Verification Work?

After a trade is executed, the investor receives:

- SMS or email alert with trade details
- A verification link or reference number

The investor can:

- Verify the trade
- Raise a concern if the trade is not recognised

What Should Investors Do?

Always read trade alerts

Verify trades within the given time

Report any mismatch promptly

Keep contact details updated

23. What is Margin Money?

Margin money is prescribed by Exchanges or Clearing Corporations and collected from investors by brokers before executing a trade on their behalf. Margin money is collected to mitigate the risk of non-payment of funds for buy trades or non-delivery of securities for sell trades by an investor. Margin can be provided in the form of cash or securities or cash equivalents i.e. fixed deposits, bank guarantees, units of mutual funds, government securities, and treasury bills in demat form, etc.





- With effect from September 01, 2020 investors (clients) can provide a margin in the form of “securities” only by pledging the securities in favour of a specially designated demat account of the stock broker.
- **Early Pay-in:** In case investor wants to avail an exemption from the payment of margin, the investor may use the “early pay-in” facility where the payment of funds/delivery of shares (blocked in client’s account only) shall be made to the broker before the pay-in date or as per time/date specified by the broker.
- Broker should required to provide daily margin reports to their clients. Clearing Corporation has provided a web portal facility to allow clients to view their disaggregated collateral placed with Member and as reported by their registered Trading Member /Clearing Member.

24. Statement of Account from the Stock Broker and Depository Participants

You are entitled to receive reports such as daily, monthly, quarterly, etc., free of cost, on a regular basis from your broker and Depository Participant (DP) regarding your transactions, margins, and other account details. Depositories and Stock Exchanges will also inform you through your registered mobile number or email ID about transactions in your account.



If you do not understand any message or alert, you should clarify the matter with your bank, depository, DP, stock exchange, or broker, or contact SEBI's toll-free helpline for guidance. Always keep your contact details updated with the intermediaries to ensure you receive alerts and account statements on time. If you do not receive such reports, you must raise the issue with the relevant stock exchanges and depositories.



You are entitled to receive an annual statement of funds and securities balance from your stock broker. In addition, Stock Exchanges send weekly SMS/email alerts to registered clients regarding the funds and securities lying with their brokers.

25. Consolidated Account Statement (CAS)

Consolidated Account Statement (CAS), sent by depositories, is a single or combined account statement which shows the details of transactions made by an investor during a month across all Mutual Funds and also other securities held in the demat account(s). Consolidation is done based on the PAN of the first holder and pattern of holding. In case there is no transaction in the mutual fund folios or demat accounts, then the CAS with holding details shall be sent to the investor on a half yearly basis i.e. holdings of March and September end will be sent in April and October respectively



NPS in CAS:

The Pension Fund Regulatory and Development Authority (PFRDA) along with SEBI has now enabled NPS Statement of Transaction (SoT) with CAS. Central Record Keeping Agencies (CRAs) will provide National Pension System (NPS) subscribers with the option to include NPS transactions in their CAS. Investors eligible for CAS can now also provide their consent to the CRA if they want to opt for this NPS inclusion. This will provide the investor a consolidated view of the personal investments in the securities market along with NPS details.



eCAS

Investors can provide consent for receiving CAS transaction statements by email.

Some of the benefits of e-statement are:

- **Faster:** eCAS will be received faster than a physical statement by 12th of the month for the preceding month via email as against dispatch on the 15th of the month for physical statements.
- **Convenient:** eCAS can be reviewed at the Beneficial Owner's (BOs') convenience
- **Secure:** The risk of statements being lost/misplaced is eliminated.
- **Safe:** eCAS statements are password protected for security.
- **Environment friendly:** eCAS statements are environment friendly and helps a BO be clutter-free and conserve resources (paper).
- **Audit:** This is the most critical "check-and-balance" tool for a retail investor. Since eCAS is generated by the Depository (NSDL/CDSL) and not your broker, it acts as an independent source of truth to compare and verify against statements provided by the broker or any other intermediary as the case may be.



Module E

Mutual Funds and ETFs

Mutual Funds
Mutual funds pool money and invest on behalf of investors.

When investing in mutual funds, investors will first have to complete their KYC.

Risk | **Return**

Mutual funds | **ETFs - Exchange Traded Funds** | **Derivatives Market**

Investment options: Mutual funds, Stock Exchange

Riskometer | Return profile
Product label help investors to understand risk.
⇒ Bank account, SIP or lump sum through bank account

Awareness Suitability Discipline

Choose the product that matches your risk and knowledge

The infographic is divided into three horizontal sections. The top section shows a group of people on the left under a green sky labeled 'Mutual Funds' with a speech bubble stating 'Mutual funds pool money and invest on behalf of investors.' Below them is the word 'Risk'. On the right, under a red sky with lightning, a man is talking to a group of people, with a speech bubble saying 'When investing in mutual funds, investors will first have to complete their KYC.' Below them is the word 'Return'. The middle section is divided into three panels: 'Mutual funds' with a jar of gold coins and a man pointing to it, with a speech bubble 'Investment options'; 'ETFs - Exchange Traded Funds' with a building icon and a man pointing to a 'Stock Exchange' sign; and 'Derivatives Market' with a man pointing to a document. The bottom section features a 'Riskometer | Return profile' with four jars labeled 'Low risk', 'Moderate', 'Money Market', and 'Options'. Below this is a shield icon with the text 'Awareness Suitability Discipline' and a man holding an umbrella. At the very bottom, a box says 'Choose the product that matches your risk and knowledge'.

26. Mutual Funds

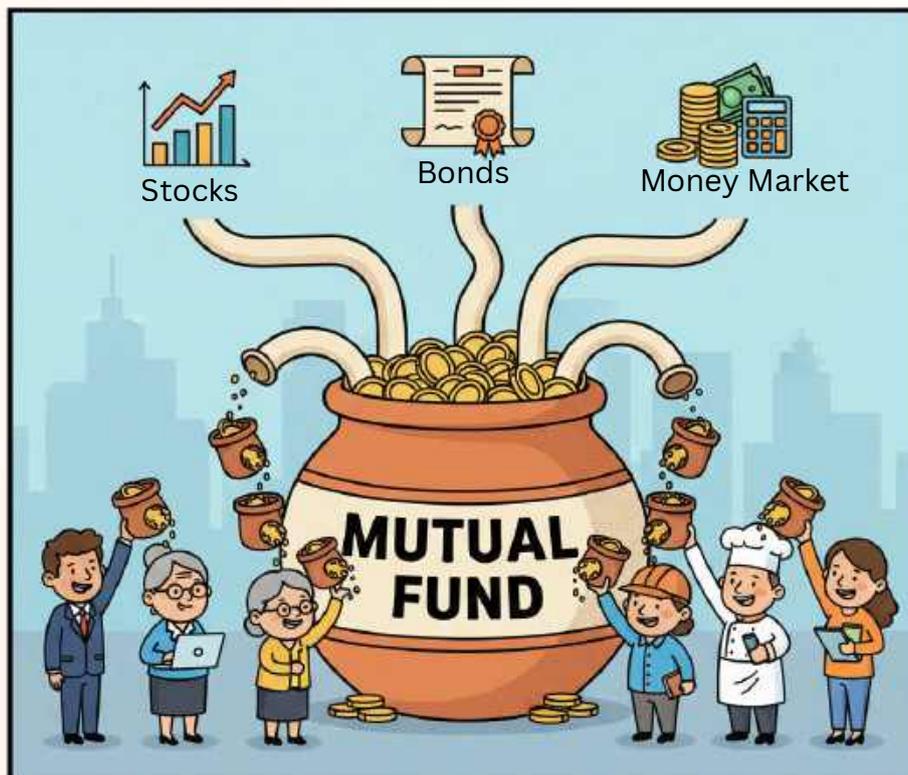


A mutual fund collects money from many investors and invests it together in different instruments such as shares (stocks), bonds, money-market instruments, and other assets, depending on the scheme.

Before launching any scheme, every mutual fund must be registered with SEBI.

Mutual fund schemes are also divided into different categories based on their investment objective. These schemes are designed to suit different types of investors, such as:

- Risk-averse investors (who prefer safety and low risk),
- Moderate investors (who can take some risk), and
- Aggressive investors (who are willing to take high risk for higher returns).



ADVANTAGES OF INVESTING IN MUTUAL FUNDS

1. Professional Management

Investors may not have the time or the required knowledge and resources to conduct their research and purchase individual stocks or bonds. A mutual fund is managed by full-time, professional money managers who have the expertise, experience and resources to actively buy, sell, and monitor investments. A fund manager continuously monitors investments and rebalances the portfolio accordingly to meet the scheme's objectives.



2. Risk Diversification

Risk diversification is one of the most prominent advantages of investing in mutual funds. Buying shares in a mutual fund is an easy way to diversify your investments across many securities and asset categories such as equity, debt and gold, which helps in spreading the risk - so you won't have all your eggs in one basket.



3. Affordability & Convenience (Invest Small Amounts)

For many investors, it could be more costly to directly purchase all of the individual securities held by a single mutual fund. By contrast, the minimum initial investments for most mutual funds are more affordable.



4. Liquidity

You can easily redeem (liquidate) units of open-ended mutual fund schemes to meet your financial needs on any business day (when the stock markets and/or banks are open) , so you have easy access to your money. Upon redemption, the redemption amount is credited in your bank account within 1 day to 4 days, depending upon the type of scheme e.g., with respect to Liquid Funds and Overnight Funds, the redemption amount is paid out the next business day. However, please note that units of close- ended mutual funds schemes can be redeemed only on maturity. Likewise, units of ELSS have a 3- year lock-in period and can be liquidated only thereafter.



5. Low Cost

An important advantage of mutual funds is their low cost. Due to huge economies of scale, mutual funds schemes have a low expense ratio. Expense ratio represents the annual fund operating expenses of a scheme, expressed as a percentage of the fund's daily net assets.



6. Regulated



Mutual Funds are regulated by the Securities and Exchange Board of India (SEBI) under SEBI (Mutual Funds) Regulations, 1996. SEBI has laid down stringent rules and regulations keeping investor protection, transparency with appropriate risk mitigation framework and fair valuation principles in place.

7. Tax Benefits

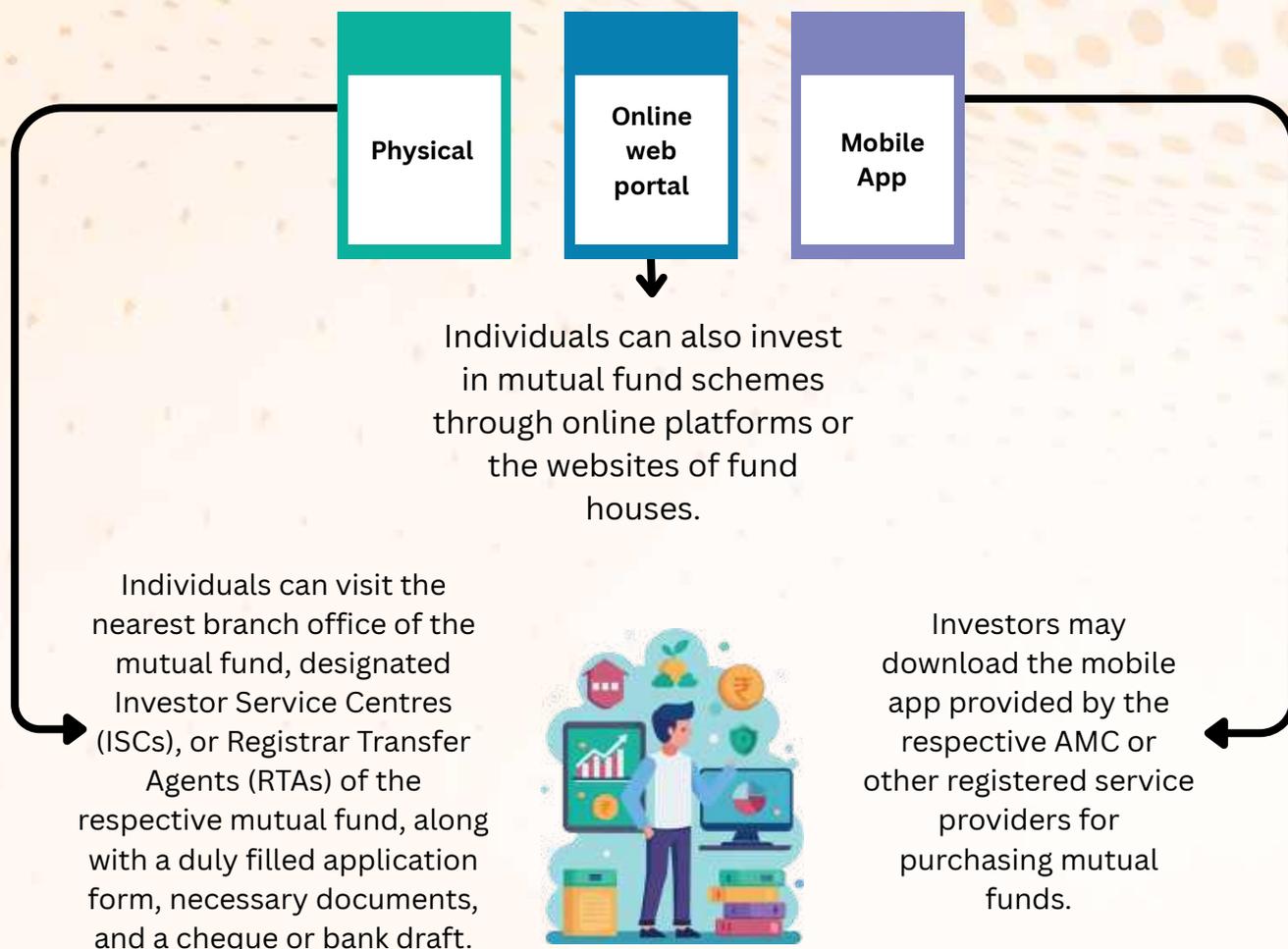
Investment in ELSS up to ₹1,50,000 qualifies for a tax benefit under section 80C of the Income Tax Act, 1961 (applicable only if the investor opts for the Old Tax Regime). Under the default New Tax Regime, this deduction is not available. Mutual Fund investments when held for a longer term are tax efficient.



Equity Schemes	Mutual funds which principally invest in stocks or equities.
Debts Schemes	Mutual funds which principally invest in fixed income securities like bonds and treasury bills.
Hybrid Schemes	Mutual funds which invest in two or more asset classes such as equities, fixed income, cash, etc.
Solution Oriented Schemes	Mutual fund schemes which invest as per the goals of individuals like retirement planning etc.
Other Schemes	All other schemes like Index Funds, Sectoral funds, etc.

27. How to Invest in Mutual Funds?

Mutual funds generally release an advertisement in newspapers publishing the date of launch of the new schemes. Investing in mutual funds is a simple process with the following options:



Registered Mutual Fund Distributors:

Investors can invest in mutual funds through distributors registered with AMFI. These distributors may be individuals, banks, brokerage houses, or similar entities. Before investing, investors must complete the Know Your Customer (KYC) process. This can be done physically at the fund's branch or at the Registrar's office. Alternatively, investors can complete e-KYC using their Aadhaar card and PAN.



- Once the KYC process is complete, the investor must decide on the mutual fund scheme to invest in, based on their risk appetite and financial goals.
- After shortlisting a scheme, the investor needs to fill out the required application forms. These forms can be submitted directly to the fund house or through agents and distributors offering such services.
- While completing the application, the investor must clearly provide details such as name, address, the number of units applied for, and other required information. It is also essential to furnish a bank account number to prevent fraudulent encashment of any cheque or draft issued later by the mutual fund for dividends or repurchase.
- Any changes in personal details such as address or bank account number should be promptly communicated to the mutual fund. To further simplify the investment process, mutual funds also offer options beyond lump-sum investments.

1.

Systematic Investment Plans: Facility to invest fixed amounts in a particular scheme at regular intervals.

2.

Systematic Withdrawal Plans: Facility to withdraw fixed amounts from a particular scheme at regular intervals.

3.

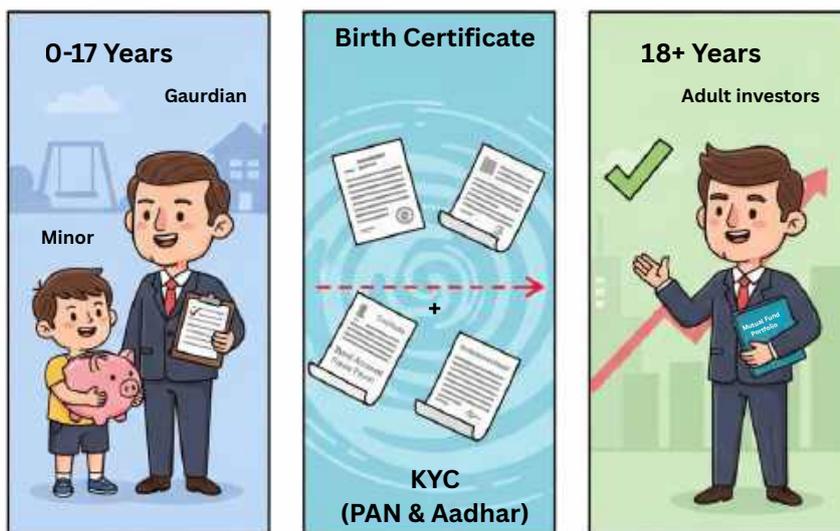
Systematic Transfer Plans: Facility to transfer funds from one scheme to another within the same fund house at regular intervals.

Minors cannot invest in mutual funds on their own but their parents/guardians can invest on behalf of minors. The guardian will be required to provide consent for any investment and related transactions on behalf of the minor. They will be responsible for managing the investment until the minor reaches the age of 18, which is considered the age of majority in India.



To invest on behalf of a minor, the guardian must provide the necessary documentation, such as the minor's birth certificate, to establish the relationship. Investments in mutual funds should be made through the minor's bank account, which is operated by the guardian. This account must be linked to the mutual fund investment for all transactions. Once the minor turns 18, he/she gain the right to manage their mutual fund investments independently, and the guardian's role will end. At that point, the records can be updated to reflect the minor's status as the primary account holder.

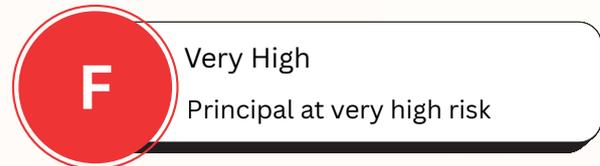
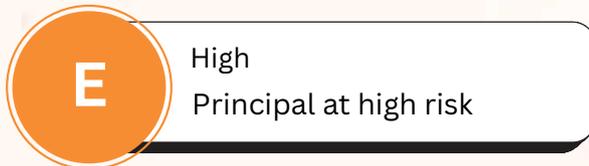
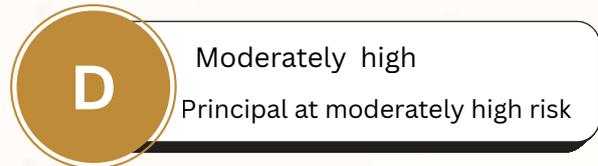
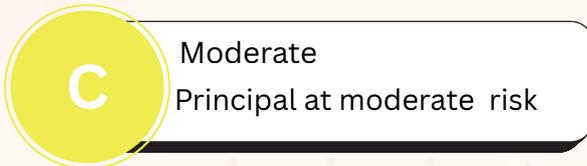
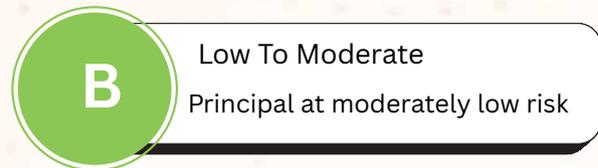
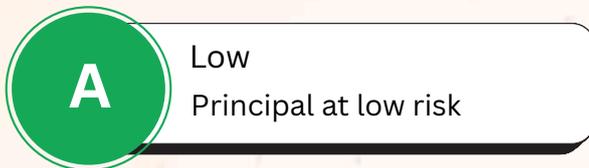
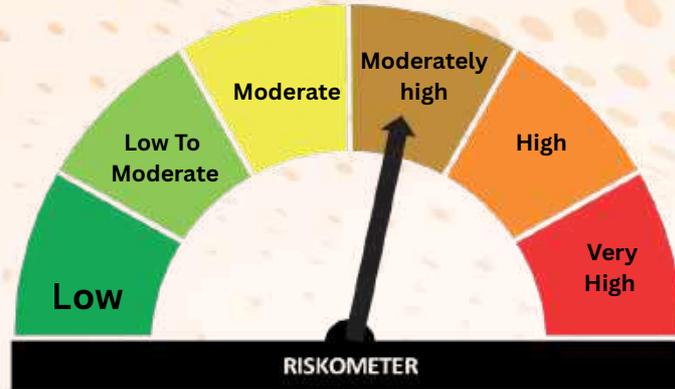
Growing Up Investors



Till 18: Guardian Manages
After 18: Investors takes charge

28. Product Labelling of Mutual Funds

As per SEBI guidelines, mutual fund schemes are to be labelled according to the level of risk involved and the same is to be depicted on the risk-o-meter. The Risk-o-meter is evaluated on a monthly basis. The risk-o-meter with different labels of risk is depicted as below:



- Mutual Funds or AMCs shall disclose the Risk-o-meter along with portfolio disclosure for all their schemes on their respective websites and on the AMFI website within 10 days from close of each month.
- Investors should not get carried away by commission/gifts given by agents/distributors for investing in a particular scheme. On the other hand, they must consider the track record of the mutual fund and should take objective and informed decisions.
- SEBI introduced a new disclosure requirement that sits alongside the riskometer for equity-oriented schemes. Fund houses must now disclose the Information Ratio (IR) daily on their website. While the Riskometer tells you how much risk the fund takes, the Information Ratio tells you how well the fund manager utilized that risk to generate extra returns compared to the benchmark. A higher Information Ratio is better. It indicates the manager generated higher returns per unit of risk taken.
- For more details on Mutual Funds, investor should scan the QR codes for AMFI website and Mutual Fund Sahi hai website:



AMFI



Mutual fund sahi hai!

29. Exchange Traded Funds (ETFs)

An Exchange Traded Fund (ETF) is a security that tracks an index, commodity, bonds, or a basket of assets like an index fund and is traded in the securities market. In simple words, ETFs are funds that track indices such as Sensex, Nifty, etc. When you buy units of an ETF, you actually buy units of a portfolio that tracks the performance of the index. ETFs just reflect the performance of the indices they track.

Unlike regular mutual funds, ETFs trade like a common stock on the stock exchange and the price of an ETF changes as per trades in the market. The trading value of an ETF depends on the net asset value of the underlying assets that it represents. ETFs, generally, have higher daily liquidity and lower fees than mutual fund schemes



In other words, ETFs are like diversified mutual funds that are listed and traded on the stock exchange. They are operationally like Mutual Funds and traded like Shares. Funds collected by ETFs are invested in securities (debt and equity) or assets (gold and silver) which form a part of an Index or Asset Class. ETFs try to follow or replicate the performance of benchmark index. The objective of an ETF is to track the returns of a particular Index, viz. Nifty 50 or Sensex 30. It will invest in securities which are a part of the Nifty 50 or Sensex 30 in the same proportion as that of the index. The holder of an ETF unit gets exposure similar to that of buying shares of the Index.

30. The Derivatives Market



- Derivatives refer to financial instruments which derive their value from an underlying security or asset. The underlying products can be equity, commodity, currency, etc.
- Derivatives are primarily used by investors for hedging their positions and minimizing price risk. Hedging is a risk management strategy in which investors invest in instruments strategically to offset the risk of any adverse price movements.
- The players in derivatives may be hedgers, speculators and arbitrageurs and different roles may be played in different situations. Futures and Options, commonly called the F&O segment, are an essential part of the derivatives segment of the securities market. Futures and options are two different types of derivatives.
- A futures contract is a standardized exchange traded contract to buy or sell an underlying product at a predetermined price on a future date.
- An options contract refers to a financial instrument which gives the buyer of the option the right but not the obligation to exercise the option at a pre-determined date and price. A call option gives one the right to buy the underlying security and a put option gives one the right to sell the underlying security at a predetermined price on a future date. Investors are charged a premium when they buy an options contract.

Please note :

- Derivatives are **high-risk products** mainly used for hedging and are not recommended for most retail investors.
- According to recent SEBI research, over 9 out of 10 individual traders in the equity F&O segment incurred losses.
- In the analysis covering FY22–FY24, about 93% of individual F&O traders lost money, with average losses around ₹2 lakh per trader over the period.
- Additionally, in FY25 alone, approximately 91% of individual traders reported net losses, underscoring the persistent risk faced by retail participants in derivatives markets.

Module F

Grievance Redressal in Securities Market

"I paid an advisor,
but now he's
vanished. No reply,
no refund!"

"Don't worry! File
your complaint on
SEBI's SCORES portal.
It's made for this."



31. SEBI Complaint Redress System (SCORES) 2.0 and Online Dispute Resolution (ODR)

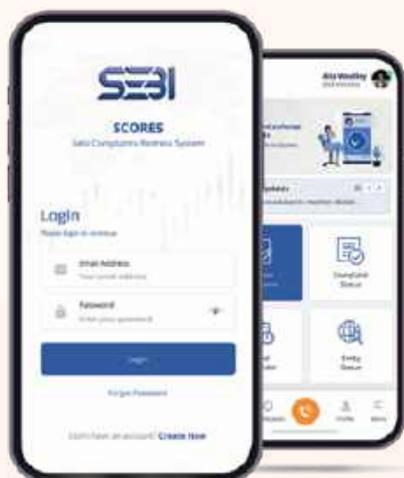
In case of any complaints related to the securities market, you may first approach the concerned intermediary or company. The concerned intermediary or company shall facilitate your complaint redressal.

In case the grievance remains unresolved, you may approach the concerned Stock Exchange, Depository, RTA, etc. against your stock broker, Depository Participant or listed company.



A new and more user-friendly version of its complaint redress system SCORES 2.0 was launched in the month of April 2024. The new version of SCORES aims to make the process more efficient through auto-routing, auto-escalation, monitoring by designated bodies and reduction of timelines. The timeline for redressal of complaints in SCORES 2.0 has been reduced to 21 calendar days.

Investors can also lodge their complaints using the SCORES mobile app which is available on Android and iOS platforms. To know more about SCORES, you may call SEBI's Toll-Free helpline numbers - 1800 22 7575, 1800 266 7575. SCORES enables you to lodge your complaint, follow up and track the status of redressal of the complaint(s) online, at any time and from anywhere.



SCORES

If you are still not satisfied with the redressal, you may lodge a complaint with SEBI through a web based centralized grievance redressal called SCORES (SEBI Complaint Redress System). The address of the SCORES portal is <https://scores.sebi.gov.in/>

ODR – Online Dispute Resolution in Securities Market

- The Online Dispute Resolution (ODR) Mechanism has been introduced in August 2023 to enable online conciliation and arbitration for resolution of disputes arising in the Indian Securities Market.
- Online Dispute Resolution (ODR) is a digital extension of the traditional Alternate Dispute Resolution (ADR) process. It leverages technology to resolve disputes outside of courtrooms, providing convenience, transparency, and speed.
- SEBI's incorporation of ODR ensures that investors have access to a streamlined process to resolve grievances against listed companies, intermediaries, and market infrastructure institutions.



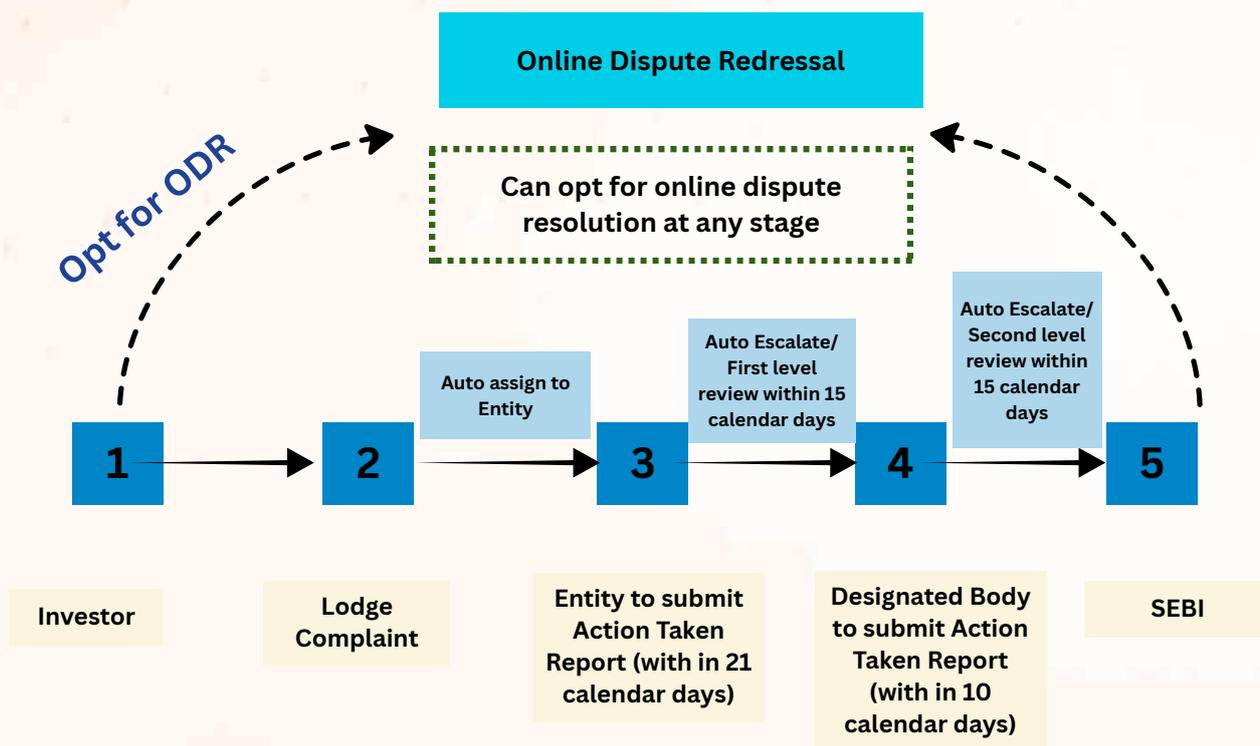
- For this, Market Infrastructure Institutions (MIIs) have collaborated under the guidance of SEBI to develop an Online Dispute Resolution (ODR) portal to enhance the existing dispute resolution process. The SMART ODR portal offers a user-friendly platform to file complaints/disputes for resolution through online conciliation and arbitration.

- **All Market Participants and investors/clients shall register on the SMART ODR Portal, and can use guidance material available under the help page.**
- **The SMART ODR Portal has all necessary features and functions for enrolling investors/clients as well as Market Participants, filing of complaints/disputes, uploading documents, and providing status updates on the complaints/disputes as obtained from ODR Institutions.**

- A complaint/dispute initiated through the **SMART ODR** Portal will be referred to an ODR Institution empaneled by an MII. ODR institutions have the capability of undertaking a time-bound online conciliation and/or online arbitration process (in accordance with the Arbitration and Conciliation, Act 1996, and any other applicable laws), that harness online/audio-video technologies and has duly qualified conciliators and arbitrators. The ODR institution(s) empaneled by respective MII(s) have due connectivity with the SMART ODR Portal.
- An investor/client shall first take up his/her/their grievance with the Market Participant by lodging a complaint directly with the concerned Market Participant. If the grievance is not redressed satisfactorily, the investor/client can initiate dispute resolution through the ODR Portal. Scan the QR code to know more.



SCORES REDRESSAL PROCESS FLOW



32. Investor Services Centres of Stock Exchanges

SEBI has advised stock exchanges to set up Investor Service Centres (ISCs) for the benefit of investors. These centres provide basic investor services, including investor guidance/counselling, assistance in lodging grievances, and access to minimum facilities required for investor support.

Stock exchanges are required to maintain ISCs in major locations and also expand ISC coverage across the country to improve investor outreach and accessibility. Exchanges may also set up ISCs jointly and open additional centres wherever required, based on investor needs and market presence.



33. Investor Protection Fund & Investor Service Fund

Investor Protection Fund (IPF)

The Investor Protection Fund (IPF) is created by stock exchanges/depositories to compensate investors in case a trading member/broker defaults. It helps protect investors' interests and supports confidence in the securities market.

Investor Service Fund (ISF)

The Investor Service Fund (ISF) is used to promote investor awareness and education. It supports activities like investor training programs, grievance redressal support, and initiatives to improve investor knowledge and protection.



34. Information about Unclaimed Shares & Unpaid Dividend Amount - IEPF

Investor Education and Protection Fund (IEPF)

An Investor Education and Protection Fund (IEPF) has been established under Section 125 of the Companies Act, 2013. For the administration of the Investor Education and Protection Fund, the Government of India has on 7th September, 2016 established the Investor Education and Protection Fund Authority (IPEFA).



All dividends and Shares which remain unpaid or unclaimed for seven consecutive years, are transferred by respective companies to the Investor Education and Protection Fund Authority (IEPFA). An investor or his/her representatives need to submit their claim to the IEPF Authority to receive unpaid dividends and/or unclaimed shares

IEPFA is entrusted with the responsibility of administration of the Investor Education and Protection Fund (IEPF), making refunds of shares, unclaimed dividends, matured deposits/debentures, etc. to investors and to promote awareness among investors.

SEBI initiatives on unclaimed mutual funds units

1

MITRA Platform:

SEBI launched MITRA (Mutual Fund Investment Tracing and Retrieval Assistant) to help investors trace and recover inactive or unclaimed mutual fund folios across AMCs.

2

Reduction of Inactive Folios:

The initiative addresses folios with no investor-initiated transactions for 10 years or more, reducing the risk of funds remaining idle or vulnerable to misuse

3

KYC & Data Updation Push:

SEBI encourages investors to update KYC, contact details, and nominations so that investments remain traceable and easily claimable.

4

Investor Protection & Awareness:

AMCs, RTAs, and AMFI are directed to spread awareness and proactively assist investors and legal heirs in claiming unclaimed dividends and redemption proceeds.

IEPF Refund



Any person whose unclaimed or unpaid dividend or shares have been transferred by a company to the Investor Education and Protection Fund (IEPF) can apply for a refund from the IEPF Authority. To claim this amount, the claimant must submit Form IEPF-5 along with the required supporting documents.

Investors can access more details by scanning the QR code



ANNEXURES

Annexure – I

Do's and Don'ts for Investing and Trading in the Securities Markets

Annexure – II

Rights and Obligations of Investors

Annexure – III

Caution against Unregistered Investment Advisers

Annexure – IV

Unified Payments Interface (UPI) in ASBA

Annexure– V

Investor Charter – Stockbrokers

Annexure – VI

Guidelines for the Investor Protection Fund at Stock Exchanges and Depositories

ANNEXURE– VII

Glossary

Do's and Don'ts for Investing and Trading in Securities Market

Do's

- Deal only with SEBI-registered intermediaries/advisors.
- Invest as per your financial goals and risk appetite.
- Insist on receiving a contract note/confirmation after every trade.
- Monitor your demat holdings regularly.
- Read all documents carefully before signing.
- Be aware of all charges/fees/brokerage applicable.
- Maintain proper records of contract notes, statements, and payments.
- Review your portfolio periodically.
- Make payments only through banking channels (avoid cash).
- Keep your address, email, mobile number, and bank details updated.
- Ensure your mobile number is linked for alerts and updates.
- Opt for nomination facility for all investments.
- Get your running account settled periodically as per your preference.
- Verify daily SMS/email alerts received from exchanges.
- Check monthly statements/alerts for funds and securities held.

Don'ts

- Do not borrow money to invest in securities.
- Do not deal with unregistered brokers/intermediaries.
- Do not pay extra charges beyond agreed brokerage.
- Do not sign documents without understanding the terms.
- Never sign blank forms or blank DIS slips.
- Avoid giving a general Power of Attorney (PoA) unless necessary.
- Do not delay filing complaints—raise issues promptly in writing.
- Do not participate in dabba trading (illegal).
- Avoid acting on hot tips/unauthorized recommendations.
- Never share your login credentials/passwords with anyone.
- Change passwords regularly for safety.
- Do not fall for Ponzi schemes or unregistered investment schemes.
- Do not leave blank spaces in KYC documents.
- Avoid opting for digital contracts if you are not comfortable using technology.

ANNEXURE II

Rights and Obligations of Investors



1 Get a Unique Client Code (UCC) from your broker.

2 Get a copy of KYC and other documents executed from the intermediary.

3 Get trades executed in only your UCC.

4 Orders may be placed after fulfilling the norms established with the Member.

5 Get the best price.

6 Get the contract note for trades executed.

7 Ask for details of charges levied.

8 Receive funds and securities on time.

Rights and Obligations of Investors

9

Receive the statement of accounts from the trading member.

Ask for settlement of accounts.

10

11

Get statements as per an agreed schedual.



→ HEALTHY MARKETS GROW ON MUTUAL RESPONSIBILITY

Obligations of Investors

- 1 Execute Know Your Client (KYC) documents and provide supporting documents.
- 2 Understand the voluntary conditions being agreed upon with the trading member.
- 3 Understand the rights given to Trading Members.
- 4 Read the Risk Disclosure Document.
- 5 Understand the product, operational framework and deadlines.
- 6 Pay margins on time.
- 7 Pay funds and securities for settlement on time.
- 8 Verify details of all trades.
- 9 Verify your bank account and DP account for funds and securities movement.
- 10 Review your contract notes and Statement of Account.

SEBI registered Investment Advisers are regulated under SEBI (Investment Advisers) Regulations, 2013. Investment Adviser: means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called.

**Warning on social media influencers (“Finfluencers”)**

- **Real vs. Fake Education:** Genuine financial educators are prohibited from using livestock market data to teach. If an influencer shows you live prices or suggests specific "buy/sell" levels for today, they are likely violating SEBI norms.
- **No "Association":** SEBI-registered intermediaries (brokers, mutual funds) are banned from associating with unregistered influencers. If an influencer claims to be a "partner" of a broker but gives unregistered advice, report them.

Do's and Don'ts while dealing with Investment Advisers

Do's

- Always deal with SEBI registered Investment Advisers.
- Check for SEBI registration number. The list of all SEBI registered Investment Advisers is available on SEBI's website (<https://www.sebi.gov.in>).
- Ensure that the Investment Adviser has a valid registration certificate.
- Pay only advisory fees to your Investment Adviser.
- Make payments of advisory fees through banking channels only and maintain duly signed receipts mentioning the details of your payments.
- Always ask for your risk profiling before accepting investment advice.
- Insist that the Investment Adviser provides advisory strictly on the basis of your risk profiling and take into account available investment alternatives.
- Ask all relevant questions and clear your doubts with your Investment Adviser before acting on advice.
- Assess the risk - return profile of the investment as well as the liquidity and safety aspects before making investments.
- Insist on getting the terms and conditions in writing, duly signed and stamped. Read these terms and conditions carefully, particularly regarding advisory fees, advisory plans, category of recommendations, etc. before dealing with any Investment Adviser.
- Be vigilant in your transactions.
- Approach the appropriate authorities for redressal of your doubts//grievances.
- Inform SEBI about Investment Advisers offering assured or guaranteed returns.

Don'ts

- Do not deal with unregistered entities.
- Don't fall for stock tips offered under the pretext of investment advice.
- Do not give your money for investment to the Investment Adviser.
- Don't fall for the promise of assured returns.
- Don't let greed overcome rational investment decisions.
- Don't get carried away by luring advertisements or market rumors.
- Avoid doing transactions only on the basis of phone calls or messages from any Investment Adviser or its representatives.
- Don't take decisions just because of repeated messages and calls by Investment Advisers.
- Do not fall prey to limited period discounts or other incentives, gifts, etc. offered by Investment Advisers.
- Don't rush into making investments that do not match your risk appetite and investment goals.
- Do not deal in Cash



ANNEXURE IV: Unified Payments Interface (UPI) in ASBA

Investors can now invest in IPOs by using Unified Payments Interface (UPI) as a payment mechanism. UPI is a system that empowers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund transfers & merchant payments into a single mechanism.



Validated UPI Handles & "SEBI Check"

Validated Handles: To prevent fraud, all SEBI-registered intermediaries now use specific UPI handles ending in **@valid**.

Example: A broker's ID will look like **abc.brk@validsbi** and a mutual fund's will look like **xyz.mf@validsbi**.

Visual Verification: When you enter a valid intermediary's UPI ID, your app will display a **Green Thumbs-up** or **Green Shield icon**. If you do not see this icon, do not proceed with the payment.



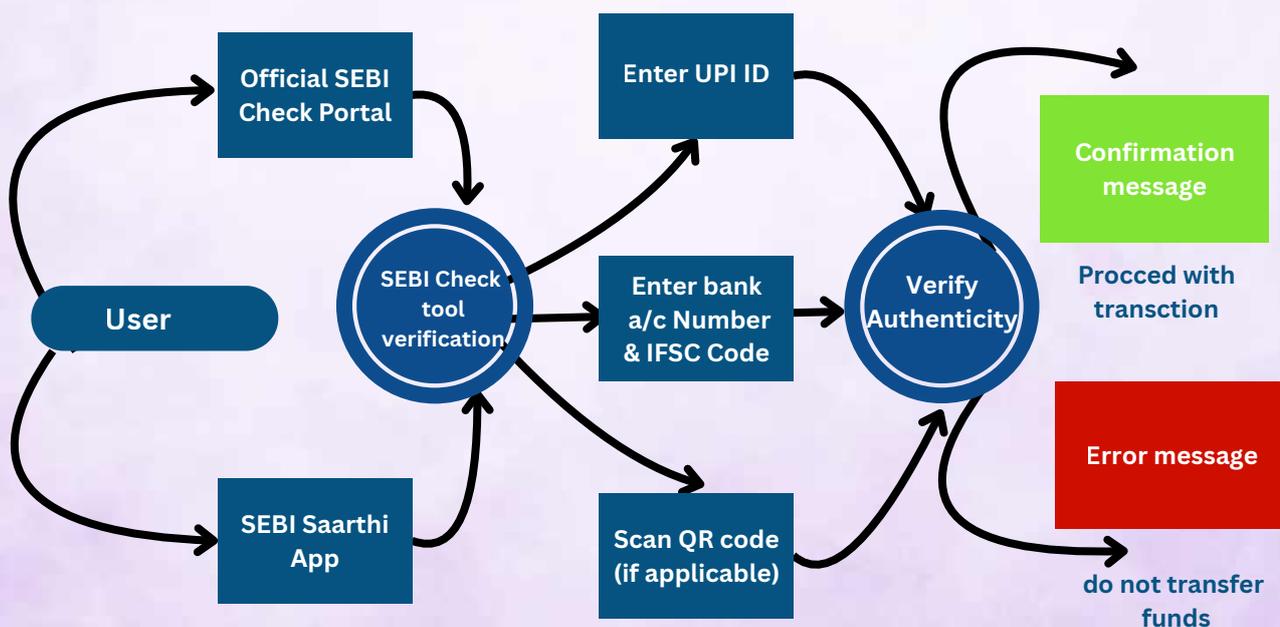
SEBI Check tool

You can verify any intermediary's UPI ID or bank details by using the SEBI Check tool available on the **SEBI website** or **Saarathi App**.

How to use the SEBI Check Tool:

- **Access the tool:** Go to the official SEBI Check portal or use the SEBI Saarthi app.
- **Enter details:** Input the UPI ID or the bank account number and IFSC code of the intermediary.
- **Scan QR code (if applicable):** If the intermediary provides a QR code, you can use the photo option in the tool to verify its authenticity.
- **Confirm the result:** The tool will provide a confirmation if the details are legitimate. If an error message is received, do not transfer funds.

SEBI Check tool Usage Guide:



Bidding through UPI:

Investors should fill the bid details in the application form along with their UPI ID. The applications may be submitted with the intermediary who will upload the bid details along with UPI ID in the stock exchange bidding platform. The stock exchange will electronically share the bid details, along with the investor's UPI ID with the Escrow/Sponsor bank appointed by the issuer company.

The Escrow/sponsor bank will send a notification on investor UPI-enabled app (e.g., Google Pay, PhonePe, BHIM). Investor has to review the details and approve the mandate by entering necessary authentication. Upon approval, the application amount is instantly blocked in investors account but not debited.

Blocking of funds:

Payment of shares

Once the shares are allocated, the funds will be debited from the investor's bank account and any excess amount will be unblocked/released. This is done based on the authorization provided by the investor using their UPI PIN at the time of blocking the funds.

Points to remember while using UPI for investing in IPO:

- Create your UPI ID with a bank whose name is mentioned in the 'List of Self-Certified Syndicate Banks (SCSBs) eligible to act as an Issuer Bank, available on the website of SEBI.
- Use only those mobile applications and UPI handles that are mentioned in the 'List of mobile applications for using UPI in public issues available on the website of SEBI.
- Submit your application forms with UPI as a payment mechanism only to a Syndicate Member, or a Registered Stock Broker, or a Registrar and Transfer Agent or a Depository Participant.
- The limit for IPO application is Rs. 5 Lakhs per transaction on UPI and is available only for retail individual investors.
- You must approve the mandate request on your UPI app before 5:00 PM Time period specified by SEBI/SE from time to time on the IPO closing day. Late approvals are invalid.
- Ensure you use a UPI app and handle that is (looks for the @valid tag). Avoid transferring money to personal UPI IDs or handles that lack the verified icon.
- Do not use your UPI ID to pay for an IPO application made in someone else's name (third-party payment). The PAN of the primary applicant must match the PAN linked to the bank account used for the UPI block. Third party UPI ID or investors using a third-party bank account will not be considered for allocation.
- Application by Retail Individual Investor through Designated Intermediaries, the process of physical movement of forms from Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI mechanism with an existing with existing timeline of T+3 days will continue.
- The securities will be listed on the stock exchange on T+3 days (3 working days after issue closure). The funds are unblocked or debited by T+2 days.



VISION

To follow the highest standards of ethics and compliances while facilitating the trading by clients in securities in a fair and transparent manner, so as to contribute in creation of wealth for investors.



MISSION

- To provide high quality and dependable service through innovation, capacity enhancement and the use of technology.
- To establish and maintain a relationship of trust and ethics with investors.
- To observe the highest standard of compliances and transparency.
- To always keep 'protection of investors' interest' as the goal while providing services.



Services provided to Investors

- Execution of trades on behalf of investors.
- Issuance of Contract Notes.
- Issuance of intimations regarding margin due payments.
- Facilitate execution of early pay-in obligation instructions.
- Settlement of client's funds.
- Intimation of securities held in Client Unpaid Securities Account (CUSA) Account.
- Issuance of retention statement of funds.
- Risk management systems to mitigate operational and market risk.
- Facilitate client profile changes in the system as instructed by the client.
- Information sharing with the client w.r.t. exchange circulars.
- Redressal of Investor's grievances.

Rights of Investors

- Ask for and receive information from a firm about the work history and background of the person handling your account, as well as information about the firm itself.
- Receive complete information about the risks, obligations, and costs of any investment before investing.
- Receive recommendations consistent with your financial needs and investment objectives.
- Receive a copy of all completed account forms and agreements.
- Receive account statements that are accurate and understandable.
- Understand the terms and conditions of transactions you undertake.
- Access your funds in a timely manner and receive information about any restrictions or limitations on access.
- Receive complete information about maintenance or service charges, transaction or redemption fees, and penalties.
- Discuss your grievances with compliance officer of the firm and receive prompt attention to and fair consideration of your concerns.

S No	Activities	Expected Timelines
1	KYC entered into KRA System and CKYCR	3 working days of account opening
2	Client Onboarding	Immediate, but not later than one week
3	Order execution	Immediate on receipt of order, but not later than the same day
4	Allocation of Unique Client Code	Before trading

ANNEXURE V

S No	Activities	Expected Timelines
5	Copy of duly completed Client Registration Documents to clients	7 days from the date of upload of Unique Client Code to the Exchange by the trading member
6	Issuance of contract notes	24 hours of execution of trades
7	Collection of upfront margin from client	Before initiation of trade
8	Issuance of intimations regarding other margin due payments	At the end of the T-day
9	Settlement of client funds	First Friday/Saturday of the month / quarter as per Exchange pre- announced schedule
10	'Statement of Accounts' for Funds, Securities and Commodities	Monthly basis
11	Issuance of retention statement of funds/commodities	5 days from the date of settlement
12	Issuance of Annual Global Statement	30 days from the end of the financial year

Do's and Don'ts for Investors



- Read all documents and conditions being agreed upon before signing the account opening form.
- Receive a copy of KYC, copy of account opening documents and Unique Client Code.
- Read the product/operational framework/timelines related to various Trading and Clearing Settlement processes.
- Receive all information about brokerage, fees and other charges levied.
- Register your mobile number and email ID in your trading, demat and bank accounts to get regular alerts on your transactions.
- If executed, receive a copy of Power of Attorney. However, Power of Attorney is not a mandatory requirement as per SEBI/Stock Exchanges. Before granting Power of Attorney, carefully examine the scope and implications of powers being granted.
- Receive contract notes for trades executed, showing transaction price, brokerage, GST and STT, etc. as applicable, separately, within 24 hours of execution of trades.
- Receive funds and securities/commodities on time within 24 hours from pay-out.
- Verify details of trades, contract notes and statement of account, and approach relevant authority for any discrepancies. Verify trade details on the Exchange websites from the trade verification facility provided by the Exchanges.
- Receive statement of accounts periodically. If opted for running account settlement, the account has to be settled by the stock broker as per the option given by the client (30 or 90 days).
- In case of any grievances, approach the stock broker or Stock Exchange or SEBI for getting the same resolved within prescribed timelines.



Don'ts



- Do not deal with unregistered stock brokers.
- Do not forget to strike off blanks in your account opening and KYC forms.
- Do not submit an incomplete account opening and KYC form.
- Do not forget to inform any change in information linked to trading account and obtain confirmation of updation in the system.
- Do not transfer funds, for the purposes of trading to anyone other than a stock broker. No payment should be made in name of employee of the stock broker.
- Do not ignore any emails//SMSs received with regards to trades done, from the Stock Exchange and raise a concern, if a discrepancy is observed.
- Do not opt for digital contracts, if not familiar with computers.
- Do not share your trading password.
- Do not fall prey to fixed//guaranteed returns schemes.
- Do not fall prey to fraudsters sending emails and SMSs luring to trade in stocks//securities promising huge profits.
- Do not follow herd mentality for investments. Seek expert and professional advice for your investments.

Handling of Investor's claims/complaints in the case of a default of a Trading Member/Clearing Member (TM/CM)

The following steps are carried out by the Stock Exchanges for the benefit of an investor, in case a stock broker defaults:

- A circular is issued to declare the Stock Broker as a Defaulter.
- Information of the defaulter stock broker is disseminated on the Stock Exchange website.
- A public notice is issued informing declaration of a stock broker as defaulter and inviting claims within specified period.
- Intimation to clients of defaulter stock brokers via emails and SMS for facilitating lodging of claims within the specified period.

The following information is available on Stock Exchange websites for the information of investors:

- Norms for eligibility of claims for compensation from IPF.
- Claim form for lodging claim against defaulter stock broker.
- FAQs on processing investors' claims against a Defaulter stock broker.
- Provision to check the online status of client's claim.
- Form for lodging claim against defaulter TM.
- Standard Operating Procedure (SOP) for handling of Claims of Investors in the Cases of default by TMs
- List of Defaulter/Expelled TMs and public notice issued.

Grievance Redressal Mechanism

SEBI has provided a structured mechanism for investors to register and resolve complaints against intermediaries such as stock brokers, depository participants, mutual funds, RTAs, etc.

Register Complaint on SCORES

Investors can lodge their complaints through SCORES (SEBI Complaints Redress System) at:
<https://scores.sebi.gov.in>

Action by the Intermediary

Once the complaint is filed on SCORES, it is forwarded to the concerned intermediary/entity for resolution. The intermediary is required to take necessary action and submit an Action Taken Report (ATR) on SCORES. Timeline: Complaint to be resolved within 21 calendar days.

Review Process (If Not Satisfied)

If the investor is not satisfied with the response/resolution provided:

The investor may request a First Review through the SCORES system. If still not satisfied, the investor may request a Second Review by SEBI.

Key Features

- Online complaint registration and tracking
- Time-bound resolution process
- Structured escalation mechanism
- Greater transparency and accountability

This mechanism ensures that investor grievances are addressed in a timely and efficient manner through a centralized SEBI platform.

ANNEXURE VI

Guidelines for the Investor Protection Fund at Stock Exchanges and Depositories

Eligible Claims

1 What is IPF?

- Investor Protection Fund (IPF) is created by Stock Exchanges and Depositories.
- It provides compensation to investors/clients in case of default by a stock broker/trading member.
- It acts as a safeguard to protect investor interests in the securities market.

2 Who can claim compensation from IPF?

- Investors/clients of the defaulting broker/trading member.
- Investors who dealt through authorized persons of the defaulting broker (registered with the exchange).
- Legal heirs/nominees of a deceased investor (with valid transmission documents).

3 When is a claim eligible under IPF?

- Claims are eligible when they arise due to default of a trading member/stock broker.
- IPF compensation must be filed within the timeline specified by the Stock Exchange/Depository.
- Late claims may be considered only if the investor proves the delay was due to reasons beyond their control.
- Compensation is provided only after verification and approval by the Stock Exchange/Depository as per norms.

4 When is a claim NOT eligible under IPF?

- Claims of the trading member/broker or their associates are not eligible.
- Claims arising purely due to market/speculative losses (without broker default) are not covered.
- If the defaulting broker has sufficient surplus funds to meet the claim, then compensation from IPF may not apply.

5 Time limit for filing claims

- Claims are eligible when they arise due to default of a trading member/stock broker.
- IPF compensation is provided only after verification and approval by the Stock Exchange/Depository as per norms.

6 Basic documents generally required

- Claim form (as per exchange/depository format)
- Client details and KYC documents
- Proof of transactions (contract notes / ledger / statements)
- Proof of pending funds/securities due from broker
- For legal heirs/nominees: valid transmission/succession documents

7 Important note for investors

- IPF provides compensation only for genuine investor claims arising from broker default.
- Investors should maintain proper records of trades, payments, and statements for smooth claim processing.

Threshold limit for claims

- The stock exchanges shall fix suitable per investor compensation limits, in consultation with the IPF Trust and SEBI.
- The stock exchanges, in consultation with their IPF Trust, shall review and progressively increase the amount of compensation available against a single claim from an investor, at least once in every three years.
- The Stock Exchange shall disseminate the compensation limit fixed by them and any change thereof, to the public through a Press Release and also through its website

Determination of legitimate claims from IPF for clients of the defaulter TM

- Once a Trading Member/Stock Broker is declared a defaulter, investor claims are invited and processed.
- The Stock Exchange shall ensure that claims received from investors/clients are verified and examined for eligibility.
- Only genuine and admissible investor claims are considered for compensation under the IPF.
- Claims are processed as per the IPF norms and procedures prescribed by the Stock Exchange and SEBI.

Disbursements of claims from the IPF

- Compensation from IPF is paid to investors only up to the maximum limit fixed for a single investor claim.
- Compensation is provided in cases where the defaulting broker's assets/funds are insufficient to meet investor claims.
- The Stock Exchange / IPF Trust ensures that payments are made after completing necessary verification and approval processes.
- Amounts recovered later from the defaulting broker's assets are dealt with as per the exchange's rules and applicable procedures.

Disclosures

The stock exchanges and depositories are advised to

- A. Disclose the corpus of the IPF on its website and update the same on a monthly basis.
- B. Disseminate its policy on processing investor claims from IPF on their website including the compensation limit fixed by them per investor.
- C. To frame FAQs on their policy on processing investor claims for easy understanding of investors.
- D. Give adequate notice (including a press release) to the investors before implementing any amendment in the policy on processing of claims. In case of any amendment in the policy on processing of investor claims, the same should not be applicable to the TMs who have been disabled or suspended or declared defaulter by the exchange prior to the effective date of implementation of policy.

Investor Awareness Initiatives of SEBI

Visit to SEBI & Visit by SEBI :

Investor awareness programs conducted for students from college, schools and professional institutes who visit SEBI offices or SEBI officials visit such institutions for these programs.

Regional Investor Seminar for Awareness (RISA)

Investor Education programs conducted by SEBI in coordination with Stock Exchanges, Depositories, AMFI, Commodities Derivatives Exchanges, etc.

Investor Awareness Programs through Investors Associations (IAs):

Investor education programs in the securities market conducted by SEBI recognised Investors Associations (IAs) in tier II/tier III cities/towns.

Investor Awareness Programs through Securities Market Trainers (SMARTs):

Investor education programs in Securities Market conducted by SEBI recognised Securities Market Trainers (SMARTs) in tier II/tier III cities/towns.

Details of these Investors awareness programs can be found on the SEBI Investor website or by scanning QR code: <http://investor.sebi.gov.in>



S No	Abbreviation	Full Forms
1	AMC	Annual Maintenance Charges
2	ASBA	Application Supported by Blocked Amount
3	BSDA	Basic Services Demat Account
4	CAS	Consolidated Account Statement
5	CDSL	Central Depository Services (India) Limited
6	DEMAT	Demat or Dematerialized
7	DDPI	Demat Debit and Pledge Instruction
8	DP	Depository Participant
9	IA	Investment Advisers
10	IPO	Initial Public Offer
11	KIN	KYC Identification Number
12	KYC	Know Your Client
13	MII	Market Infrastructure Institutions
14	MSE	Metropolitan Stock Exchange of India Limited
15	NSDL	National Securities Depository Limited
16	NSE	National Stock Exchange of India Limited
17	ODR	Online Dispute Resolution
18	PAN	Permanent Account Number
19	PoA	Power of Attorney

S No	Abbreviation	Full Forms
20	SCORES	SEBI Complaints Redressal System
21	SEBI	Securities and Exchange Board of India
22	SMS	Short Message Service
23	UCC	Unique Client Code
24	UID	Unique Identification

S No	Abbreviation	Full Forms	Context / Reference in Text
1	AMFI	Association of Mutual Funds in India	Mutual Funds section
2	CRA	Central Record Keeping Agency	NPS/CAS section
3	DDPI	Demat Debit and Pledge Instruction	Account Opening
4	DIS	Delivery Instruction Slip	DDPI/Transfer section
5	DRF	Demat Request Form	Dematerialization section
6	E-DIS	Electronic Delivery Instruction Slip	DDPI/Transfer section
7	ELSS	Equity Linked Savings Scheme	Tax Benefits/Mutual Funds
8	ETF	Exchange Traded Fund	Fund Types
9	F&O	Futures and Options	Derivatives
10	FPO	Follow-on Public Offer	Primary Market
11	IEPF	Investor Education and Protection Fund	Unclaimed Shares

S No	Abbreviation	Full Forms	Context / Reference in Text
12	IPF	Investor Protection Fund	Investor Compensation
13	IPV	In-Person Verification	KYC Process
14	ISF	Investor Service Fund	Investor Services
15	ISIN	International Securities Identification Number	Dematerialization
16	KRA	KYC Registration Agency	KYC Process
17	NAV	Net Asset Value	Mutual Funds/ETF
18	NPS	National Pension System	CAS Section
19	ODR	Online Dispute Resolution	Grievance Redressal
20	OTP	One Time Password	Off-market transfer
21	OVD	Officially Valid Document	Mutual Funds section
22	RHP	Red Herring Prospectus	Primary Market
23	RTA	Registrar and Transfer Agent	Intermediaries
24	SCSB	Self-Certified Syndicate Bank	IPO/UPI Process
25	SIP	Systematic Investment Plan	Mutual Funds
26	STP	Systematic Transfer Plan	Mutual Funds
27	SWP	Systematic Withdrawal Plan	Mutual Funds
28	TM/CM	Trading Member / Clearing Member	Default Handling
29	UPI	Unified Payments Interface	IPO Application



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

SEBI Investor Awareness Test

Free of Cost

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The SEBI Investor Awareness Test—also known as the SEBI Investor Certification Examination—is a free online initiative by SEBI in collaboration with NISM (National Institute of Securities Markets). Its goal is to boost financial literacy and help individuals understand the basics of savings, investments, and the Indian securities market

You can register
through the official
NISM portal:
sice.nism.ac.in



National Institute of
Securities Markets
A Capacity Building Initiative of SEBI