FAQ-Secondary Market

1. **What is meant by Secondary Market?**
   Secondary Market refers to a market where securities are traded after being initially offered to the public in the primary market, e.g., Initial Public Offering (IPO), and/or listed on the Stock Exchange. Majority of the trading is done in the secondary market. Secondary market comprises of equity markets and debt markets.

   For the general investors, the secondary market provides an efficient platform for trading of his securities.

2. **Whom should I contact for my Stock Market related transactions?**
   You can contact a broker / trading member or authorized representative of broker registered with SEBI for carrying out your transactions pertaining to the capital market.
   You will have to open a trading account with the Broker for carrying out your trades, for which you will have to fill in the Account Opening Form (AOF). You should clearly mention the segments in which you wish to trade and the Exchanges through which your trade is to be executed, in the AOF.

3. **Who is an Authorised Person?**
   Authorised Person" (AP) means any person – Individual, partnership firm, LLP or body corporate – who is appointed as such by a stockbroker and who provides access to trading platform of a stock exchange as an agent of the stockbroker.

   It is mandatory for member-brokers to enter into an agreement with the Authorised person. The agreement lays down the rights and responsibilities of member-brokers as well as Authorised person.

4. **How do I know if the broker or Authorized person is registered?**

   Details of the BSE Brokers can be obtained from the website, a link for the same is given below: https://www.bseindia.com/members/MembershipDirectory.aspx

5. **Do I need to have a Demat Account to carry out a trade in the secondary market?**
   Demat account is mandatorily required to be linked to the trading account in order to be able to trade in the secondary market. Any securities bought or sold by you will be settled through this linked demat account.

6. **How do I place my orders with the broker?**

   You can place your order in any of the following methods

   a. Personally at the broker's office or at the office of the Authorised Person of the Broker
   b. Call the designated number of the broker
   c. Trading website of the Broker
   d. Mobile trading app provided by the broker.

7. **How can one start trading online?**

   You may approach the broker and seek the login details of the internet trading platform offered by the broker.

8. **How do I know whether my order is placed?**

   The Stock Exchanges assign a Unique Order Code Number to each transaction, which is intimated by broker to his client and once the order is executed, this order code number is printed on the contract note. The broker has also to maintain the record of time when the client has placed the order and reflect the same in the contract note along with the time of execution of the order.

9. **What is Demat Debit and Pledge Instruction (DDPI)?**

   Demat Debit and Pledge Instruction (DDPI) is a document under which the client shall explicitly agree to authorize the stock broker and depository participant to access their BO (Beneficiary Owner) account for the limited purposes. The DDPI shall serve the same purpose as that of POA (Power of Attorney) while significantly reducing the misuse of POA. The use of DDPI shall be limited only for the purposes as mentioned below.

   - For transfer of securities held in the BO account of the client towards settlement obligations arising out of trades executed by the client on the Stock Exchange through the same stockbroker.
   - For pledging / re-pledging of securities in favor of the stock broker / clearing member (CM) for the purpose of meeting margin requirements of the client in connection with the trades executed by the client on the Stock Exchange.
   - Mutual Fund transactions being executed on Stock Exchange mutual fund platforms; e.g. BSE StarMF, and
   - •Tendering shares in open offers through Stock Exchange platform

10. **What is Pre-open Session?**

    In a pre-open session, the open price of a security is determined using the call auction mechanism.

Detailed information on the Pre-open session can be obtained from the exchange website, link: https://www.bseindia.com/static/markets/equity/preopen_session.html

11. What is Call Auction?

In a call auction, orders are entered into the system continuously, filling the order book but will remain unexecuted till the end of the order entry period. After the order entry ends, the orders get matched into trades at a single price at which maximum volume of shares get matched.

Detailed information on the Call Auction can be obtained from the exchange website, link: https://www.bseindia.com/static/markets/equity/preopen_session.html#!#1

12. What is Special Pre Open Session :

One hour special Pre-Open session has been introduced only for IPOs & Re-listed scrips through the call auction trading mechanism on the first day of their trading (in case of IPOs) and recommencement of trading (in case of re-listed scrip). Once price is discovered during special Pre-open session, the scrip will move to continuous trading session.

Detailed information can be viewed at https://www.bseindia.com/static/markets/equity/special_preopen.html

13. What are Price bands?

Price bands determine the range in which a security can move.
i.e. a 20% price band implies that the security can move +/- 20% of its previous close price on a given day.
Price bands are revised downwards as per the extant Surveillance measures whereas upward revision is as done on a bi-monthly basis, subject to satisfaction of criteria.
Daily price bands are applicable on securities as below:

- Daily price bands of 2% (either way)
- Daily price bands of 5% (either way)
- Daily price bands of 10% (either way)
- No price bands are applicable on scrips on which derivative products are available
- Price bands of 20% (either way) on all remaining scrips (including debentures, preference shares etc.).
- Scrips on which no derivatives products are available, but which are part of Index Derivatives, are also subjected to price bands.

14. What is Normal Settlement?

All transactions in all groups of securities in the Equity segment and Fixed Income securities listed on BSE are required to be settled on T+1 basis (w.e.f. from January 27, 2023).

A T+1 settlement cycle means that the final settlement of transactions done on T, (i.e. trade), day by exchange of monies and securities between the buyers and sellers respectively takes place on next business day (excluding Saturdays, Sundays, bank and Exchange trading holidays) after the trade day.

The transactions in securities of companies which have made arrangements for dematerialization of their securities are settled only in demat mode on T+1 on net basis, i.e., buy and sell positions of a member-broker in the same Security are netted and the net quantity and value is required to be settled.

E.g. If you have bought 100 shares of ABC company at Rs. 50 per share and sold 50 shares of ABC Company at Rs. 51 per share on the same trading day, in case of net settlement, you will receive 50 shares in your account and will have to pay an amount of Rs 2450 (difference between total buy price and total sell price)

However, transactions in securities of companies, which are in group for Gross Settlement or have been placed under "trade-to-trade" by BSE as a surveillance measure ("T" group) or, are settled only on a gross basis and the facility of netting of buy and sell transactions in such Securities is not available.

E.g. If you have bought 100 shares of ABC company at Rs. 50 per share and sold 50 shares of ABC Company at Rs. 51 per share on the same trading day, in case of trade-to-trade settlement, you will have to first deliver 50 shares of ABC Company and pay in an amount of Rs 5000 for settlement. Post settlement you will receive 100 shares of ABC Company and an amount of Rs. 2550.

15. What is the pay-in day and pay- out day?

Pay in day is the day when the brokers shall make payment or delivery of securities to the exchange. Pay out day is the day when the exchange makes payment or delivery of securities to the broker. In case of Rolling Settlements, pay-in and pay-out of both funds and securities is completed on the same day.

Settlement cycle is on T+1 rolling settlement basis.

16. **What is an Auction?**

The Exchange purchases the requisite quantity in the Auction Market and gives them to the buying trading member. The shortages are met through auction process and the difference in price indicated in contract note and price received through auction is paid by member to the Exchange, which is then liable to be recovered from the client.

In the event when a seller fails to deliver securities towards its sale obligation, the Exchange purchases the requisite quantity in the Auction Market to the settle the purchaser and gives them to the buying trading member. The shortages are met through auction process and the difference in price indicated in contract note and price received through auction is paid by member to the Exchange, which is then liable to be recovered from the client.

17. **What happens if the shares are not bought in the auction?**

If the shares could not be bought in the auction i.e., if shares are not offered for sale in the auction, the transactions are closed out as per SEBI guidelines. The guidelines stipulate that "the close out Price will be the highest price recorded in that scrip on the exchange in the settlement in which the concerned contract was entered into and up to the date of auction/close out OR 20% above the official closing price on the exchange on the day on which auction offers are called for (and in the event of there being no such closing price on that day, then the official closing price on the immediately preceding trading day on which there was an official closing price), whichever is higher.

Since, in the rolling settlement the auction and the close out takes place during trading hours, the reference price in the rolling settlement for close out procedures would be taken as the previous day's closing price.

In the event when procuring the securities through Auction process, the Clearing Corporation closes the position at the highest price prevailing across the Exchanges from the day of trading till the auction day or 20% above the official settlement price on the auction day, whichever is higher or as declared from time to time by Clearing Corporation.

Any shortages in the respect of Trade-for-Trade scrips i.e. Gross settled securities, are directly closed out at the highest price prevailing across the Exchanges from the day of trading till the T+1 day or 20% above the settlement price on the T+1 day, whichever is higher or as declared from time to time by the Clearing corporation.

18. What is Margin?

Margin is an amount of funds/securities that an investor has to deposit upfront with the Clearing Corporation through stock broker in order to cover the risk of non-payment of dues or non delivery of securities.

19. What is Margin pledge?

SEBI vide its circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, has provided for a facility for clients to provide margins by way of pledge / Re-pledge in Depositary System. For the purpose of providing collateral in the form of securities as margin, a client can pledge securities with Trading Member and Trading Member can re-pledge the same with Clearing Member and the Clearing Member in turn can re-pledge the same to the Clearing Corporation.

20. When does a client account need to be settled?

As per SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, the settlement of funds and / or securities shall be done within 1 working day of the pay-out, unless client specifically authorizes the trading member in writing to maintain a running account. Vide SEBI circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, running account for securities has been discontinued and therefore, SEBI circulars dated December 03, 2009, and September 26, 2016, are now applicable for settlement of running account of client's "funds" only. The settlement of running account of funds of the client shall be done by the trading member after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges, at least once within a gap of maximum 30 / 90 days between two settlements of running account as per the preference of the client.

Detailed information on Running account settlement can be obtained from the exchange website, link:
https://www.bseindia.com/downloads1/FAQs_on_Settlement_of_Running_Account.pdf

21. What happens if I do not get my money or share on the due date?

In case a broker fails to deliver the securities or make payment on time, or if you have a complaint against conduct of the stockbroker, you can file a complaint with the respective stock exchange. The exchange is required to resolve all the complaints. To resolve the dispute, the complainant can also resort to arbitration as provided on the reverse of contract note /purchase or sale note. However, if the complaint is not addressed by the Stock Exchanges or is unduly delayed, then the complaint along with supporting documents may be forwarded to SEBI. Your complaint would be followed up with the exchanges for expeditious redressal.

22. What recourses are available to me for redressing my grievances?

You have following recourses available:

- Investor Grievance Redressal:

  Complaints at Exchange can be filed by Investor via

  (a) Electronic mode -
    - Through SCORES (a web based centralized grievance redressal system of SEBI)
    - Online portal of the Exchange
    - Emails

  (b) Offline mode – Physical
    - Physical letter at any Investor Service Centre
    - Complaint can be filed by investor by visiting the nearest Investor Service Centre (ISC)

  The complaints of investors against BSE's Trading Members are forwarded to the concerned Trading Members for resolution. In case no reply is received from the Trading Member or the reply received from the Trading Member does not satisfy the complainant or the matter is not getting settled amicably, the same is placed before Investors' Grievances Redressal Committee (IGRC).

  IGRC is a conciliatory mechanism; wherein, both the parties to the dispute are called before the Committee and efforts are made to arrive at the solution which is acceptable to both the parties.

- **Arbitration**: If no amicable settlement could be reached, then you can make application for reference to Arbitration under the Bye Laws of concerned Stock Exchange.

- **Court of Law**: The Courts having jurisdiction over the area in which the respective regional Investor Service Centre is situated, shall have jurisdiction.

23. What is the interim recourse to investors from deposits of member or IPF?

SEBI vide its circular dated September 26, 2013 empowered the IGRC to decide the claim value of the investors against the trading members on the basis of merits of the cases. In case the claim value is decided by IGRC in favour of investor and accepted by the investor, the amount is blocked from the deposits of the member with the Exchange.

As per SEBI circular dated February 23, 2017, in case the claim is for amount less than Rs. 20 lacs following process is followed:

- If trading member intimates to the Exchange, within 7 days from receipt of IGRC decision, that he is challenging the decision of IGRC before arbitration, the investor is paid to the extent of 50% of claim amount decided by IGRC or Rs. 2 Lacs whichever is less, from IPF. In case the member fails to intimate the same within above period, the Exchange releases the entire amount blocked from the deposits of the member to the client and settles the claim.

- In case the member files the arbitration and the award is finalised in favour of the investor and member opts to file Appeal, 50% of arbitration award amount or Rs. 3 Lacs whichever is less shall be released to the investor from IPF. The amount released shall exclude the amount already released to the client at clause (a) above.

- In case at Appellate Bench, the arbitration award is finalised in favour of the investor and member opts to file petition u/s 34 of Arbitration & Conciliation Act, 1996, then 75% of the amount determined in the appellate arbitration award or Rs. 5 lakhs, whichever is less, shall be released to the client from IPF of the Stock Exchanges. The amount released shall exclude the amount already released to the client at clause (a) and (b) above.

- Total amount released to the client through the facility of interim relief from IPF in terms of this Circular shall not exceed Rs. 10 lakhs in a financial year.

24. What is Arbitration?

Arbitration is an alternative dispute resolution mechanism provided by a stock exchange for resolving disputes between the trading members and their clients in respect of trades done on the exchange.

25. What is the process for preferring arbitration?

The byelaws of the exchange provide the procedure for Arbitration. You can procure a form for filing arbitration from the concerned stock exchange. An Arbitral Tribunal of one arbitrator is appointed in case the value of the disputed claim is upto Rs. 25 lakhs. If the value of claim is greater than Rs. 25 lakhs, an Arbitral Tribunal of three arbitrators is appointed.

The arbitrator(s) shall conclude the arbitration reference within four months from the date of their appointment by pronouncing the award. However, on an application by either party or arbitrator(s) and for sufficient cause in recorded in writing, an extension for a maximum period of 2 months may be considered by the Exchange on case-to-case basis.

26. Who appoints the arbitrators?

Every exchange maintains a panel of arbitrators. An investor has to provide the names of three arbitrators with preferences and the member will also have to provide the names of three arbitrators with preferences. The proposed names are entered in the Centralised Arbitrator Appointment Process (CAAP) as per SEBI circular dated March 18, 2013. In case of claims below Rs. 25 lacs, one arbitrator is appointed and in case of claims above Rs. 25 lacs, three arbitrators are appointed.

27. What happens if I am aggrieved by the award of the arbitrator?

In case you are aggrieved by the arbitration award, you can take recourse to the appeal provisions as given in the bye-laws of the Exchange.

28. What is Investor Protection Fund (IPF) / Customer Protection Fund (CPF) at Stock Exchanges?

Investor Protection Fund is the fund set up by the Stock Exchanges to meet the legitimate investment claims of the clients of the defaulting members that are not of speculative nature. SEBI has prescribed guidelines for utilization of IPF at the Stock Exchanges. The Stock Exchanges have been permitted to fix suitable compensation limits, in consultation with the IPF/CPF Trust.

At present BSE compensates to the maximum extent of Rs. 15,00,000/- to the client of a defaulter from its Investors Protection Fund (IPF). For details and information of defaulter members please refer to the link https://www.bseindia.com/static/investors/Claim_against_Defaulter.aspx

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