

## MC 602: FINANCIAL INSTITUTIONS AND MARKETS

### Course Objectives:

The objective of this paper is to introduce students to role and functioning of financial markets, financial products that are traded in such financial markets and institutions associated with financial markets. It explains the role of financial system on economic development. Various conceptual issues related to risk and return, the role of regulatory bodies, mechanism of commercial banking, operations of insurance companies and mutual funds are discussed elaborately. This will enable them to take the rational decision in financial environment.

### Learning Outcomes:

- Financial architecture of an economy and its key players.
- The fabrication of Indian Financial markets.
- Working of Capital market, debt market, money market in India
- Functioning of different players in the financial market including Regulators like RBI ,SEBI, PFRDA and IRDA

### Course Content:

#### Unit I

(2 Weeks)

#### Indian Financial System and major Institutions:

Structure of Indian Financial System: An overview of the Indian financial system, major reforms in the last decade: Payment banks, GST, monetary policy, Insolvency and Bankruptcy code; issues in financial reforms and restructuring; future agenda of reforms;

**Regulatory Institutions in India :** RBI,SEBI,IRDA,PFRDA, Corporate Governance and SEBI Role of central bank and commercial banks, Commercial Banking : Role of Banks, NPA, Risk Management in Banks, Basel Norms, Products offered by Banks and FIs: Retail banking and corporate banking products. Universal Banking: need and importance, trends and RBI guidelines, Core banking solution (CBS); RTGS and internet banking, CAMELS rating system, Basel Norms, MCLR based lending NBFCs and its types; comparison between Banks and NBFCs.

#### References:

Pathak, B. Indian Financial System (4<sup>th</sup> ed). Pearson Publication [Chapter 1, 13, 16, 24]

Goods and Services Tax: <http://www.gstcouncil.gov.in/about-gst> Insolvency & Bankruptcy Code:

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<http://www.mca.gov.in/Ministry/pdf/TheInsolvencyandBankruptcyofIndia.pdf>

RBI Guidelines on Payment Banks, Monetary Policy Committee, Universal Banking, CAMELS rating system and MCLR based lending.

### Unit II

(3 Weeks)

#### Financial Markets in India:

Introduction to Financial Markets in India: Role and Importance of Financial Markets, Types of Financial Markets: Money Market; Capital Market; Factors affecting Financial Markets, Linkages Between Economy and Financial Markets, Integration of Indian Financial Markets with Global Financial Markets, Mutual Fund: types of Mutual Funds and different types of schemes, concept of NAV, Credit Rating Agencies : Role and mechanism, Merchant Bank: role and types, Venture Capital Funds concept, stages of investment , exit options; Private Equity. Foreign Exchange Market: Foreign Exchange Market (Introductory, only Conceptual) Foreign Capital – FDI & FII

#### References:

Khan, M.Y. Financial Services (8<sup>th</sup> ed). Mc Graw Hill Education [Chapter 7,9,14]

Pathak, B. Indian Financial System (4<sup>th</sup> ed). Pearson Publication [Chapter 15,17,19]

Saunders, A. & Cornett, M.M. on Financial Markets and Institutions (3<sup>rd</sup> Ed.). Tata McGraw Hill [chapter 8]

### Unit III

(4 Weeks)

#### Capital Market in India:

Introduction to Stock Markets, Regional and Modern Stock Exchanges, International Stock Exchanges, Demutualization of exchanges, Comparison between NSE and BSE, Primary and Secondary market, Raising of funds in International Markets: ADRs and GDRs, FCCB and Euro Issues; Indian Stock Indices and their construction, maintenance, adjustment for corporate actions (rights, bonus and stock split;) on index with numerical, Classification of Securities to be included in the Index, Bulls and Bears in Stock Markets, Factors influencing the movement of stock markets, indicators of maturity of stock markets, Major Instruments traded in stock markets: Equity Shares, Debentures, Myths attached to Investing in Stock Markets. Trading of securities on a stock exchange; Selection of broker, capital and margin

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requirements of a broker, MTM and VAR Margins (with numerical), kinds of brokers, opening of an account to trade in securities, DEMAT System, placing an order for purchase/sale of shares, margin trading and margin adjustment, contract note and settlement of contracts, Algorithmic trading, Settlement mechanism at BSE & NSE. Corporate Listings: Listing and Delisting of Corporate Stocks    Commodity Markets - Structure, Operations and trends

### References:

Pathak, B. on Indian Financial System (4<sup>th</sup> ed.) Pearson Publication [Chapter 6,8]

Saunders, A. & Cornett, M. M. Financial Markets and Institutions (3<sup>rd</sup> Ed.). Tata McGraw Hill [chapter 9]

Bombay Stock Exchange website on Adjustment for Corporate Actions :

<https://www.bseindia.com/markets/MarketInfo/DispNoticesNCirculars.aspx?noticeno=20190325-45>

Bombay Stock Exchange website on Compulsory Rolling Settlement:

[https://www.bseindia.com/static/markets/equity/EQReports/tra\\_Settlement.aspx](https://www.bseindia.com/static/markets/equity/EQReports/tra_Settlement.aspx)

National Stock Exchange and Bombay Stock Exchange website. FAQs on margins as applicable for transactions on Cash and Derivatives segments:

[https://www.nseindia.com/content/assist/asst\\_Margins\\_faq.pdf](https://www.nseindia.com/content/assist/asst_Margins_faq.pdf)

National Stock Exchange website on listing of Securities:

[https://www.nseindia.com/corporates/content/eligibility\\_criteria.htm](https://www.nseindia.com/corporates/content/eligibility_criteria.htm)

NIFM, Department of Economic Affairs on A Study on Algorithmic Trading/High Frequency Trading in the Indian Capital Market

<https://dea.gov.in/sites/default/files/NIFM%20Report%20on%20Algo%20trading.pdf> [Page 1-13]

SEBI guidelines. Delisting of securities: [https://www.sebi.gov.in/legal/regulations/jun-2009/sebi-delisting-of-equity-shares-regulations-2009-last-amended-on-november-14-2018-\\_34625.html](https://www.sebi.gov.in/legal/regulations/jun-2009/sebi-delisting-of-equity-shares-regulations-2009-last-amended-on-november-14-2018-_34625.html)

### Unit IV

(3 Weeks)

#### Money Markets & Debt Markets in India:

**Money Market:** Meaning, role and participants in money markets, Segments of money markets, Call Money Markets, Repos and reverse Repo concepts, Treasury Bill Markets, Market for Commercial Paper, Commercial Bills and Certificate of Deposit.

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**Debt Market:** Introduction and meaning, Primary Market for Corporate Securities in India: Issue of Corporate Securities, Market for Government/Debt Securities in India, Secondary market for government/debt securities, Over subscription and devolvement of Government Securities, Government securities issued by State Governments, Municipal Bonds, Corporate Bonds vs. Government Bonds.

### References:

Pathak, B. Indian Financial System (4<sup>th</sup> ed). Pearson Publication [Chapter 10]  
Saunders, A. & Cornett, M.M. Financial Markets and Institutions (3<sup>rd</sup> Ed). Tata McGraw Hill. [chapter 5,6]

### Text Books:

1. Bhole L.M. and Mahakud J., Financial Institutions and Markets: Structure, Growth and Innovations (6th Edition). McGraw Hill Education, Chennai, India
2. Saunders, Anthony & Cornett, Marcia Millon (2007). Financial Markets and Institutions (3rd ed.). Tata McGraw Hill
3. Pathak, Bharati V., Indian Financial System: Markets, Institutions and Services, Pearson education, New Delhi, Second edition, 2008.

### Additional Readings:

1. Jeff Madura, Financial Institutions and Markets, Cengage Learning EMEA, 2008
2. Meir G. Kohn (Latest ed) Financial Institutions and Markets, Oxford University Press, 2004
3. Fabozzi, Frank J. and Modigliani, Franco, Capital Markets: Institutions and Markets, Prentice Hall of India, New Delhi, Third edition, 2005.

### Teaching Learning Process:

Lecture, discussion, Power Point presentations, demonstration of live trading. Course contents may be discussed in the light of latest SEBI regulations and RBI guidelines. Website of SEBI, RBI, BSE and NSE must be referred to for any amendment in the guidelines.

### Assessment Methods:

Internal Assessment:	25 marks
Written Theory Exam:	75 marks

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### **Keywords:**

Banks and NBFCs, Basel Norms, NPAs, Money Market, Capital Market, Merchant Banker, Foreign Exchange market, Stock Market, Stock Exchanges, NSE, BSE, Trading and Settlement, Mutual Funds, NAV, Money market, debt market.