

INDIAN FINANCIAL SYSTEM

• CONCEPTS & DEFINITIONS

INDIAN FINANCIAL SYSTEM

MONEY MARKET

**SHORT TERM OR LESS
THAN 1 YEAR MARKET**

**REGULATED
BY RBI**

CAPITAL MARKET

**LONG TERM OR 1 YEAR
& ABOVE MARKET**

**REGULATED
BY SEBI**

**INSURANCE
MARKET**

**MARKET OF
INSURANCE PRODUCTS**

**REGULATED
BY IRDAI**

INDIAN MONEY MARKET

• COMPONENTS OF MONEY MARKET –

- (1) CALL MONEY
- (2) NOTICE MONEY
- (3) TERM MONEY
- (4) TREASURY BILLS
- (5) CERTIFICATE OF DEPOSITS
- (6) COMMERCIAL PAPERS
- (7) DATED GOVT. SECURITIES
- (8) ZERO COUPON BONDS
- (9) DEEP DISCOUNT BONDS

CALL MONEY

COMMERCIAL BANK TO COMMERCIAL BANK LENDING FOR 1 DAY OR OVERNIGHT BASIS OR 24 HOURS AT CERTAIN RATE OF INTEREST

NOTICE MONEY

COMMERCIAL BANK TO COMMERCIAL BANK LENDING FOR 2 DAYS TO 14 DAYS AT CERTAIN RATE OF INTEREST

TERM MONEY

COMMERCIAL BANK TO COMMERCIAL BANK LENDING FOR 15 DAYS TO 364 DAYS OR LESS THAN 1 YEAR AT CERTAIN RATE OF INTEREST

TREASURY BILL

- T-BILLS ARE ISSUED BY GOVT. OF INDIA.
- IT IS ISSUED IN MARKET BY RBI.
- IT IS BACKSUPPORTED BY ASSETS.
- IT IS MOST SECURED & LOWEST RISK INSTRUMENT OF MONEY MARKET.
- 1ST TIME ISSUED IN 1917.
- T-BILLS ARE NOT ISSUED BY STATE GOVT.

TREASURY BILL

- IT IS NON TRANSFERABLE INSTRUMENT.
- IT IS PURCHASED BY RESIDENTS ONLY.
- IT IS ISSUED AT DISCOUNT & MATURED AT FACE VALUE.
- IT IS ISSUED BY GOVT. AGAINST THEIR TREASURY.
- ISSUED IN MIN. VALUE OF ₹25,000/- & ITS MULTIPLES.
- MIN. MATURITY 91 DAYS & MAX. 364 DAYS.
- THREE TYPES OF T-BILLS – 91 DAYS, 182 DAYS, 364 DAYS.
- TAX IS NOT APPLICABLE ON THE PROFIT.

CERTIFICATE OF DEPOSIT

- CERTIFICATE OF DEPOSIT ARE ISSUED BY BANKS & FINANCIAL INSTITUTIONS.
- IT IS ISSUED IN MARKET BY BANKS & FI WITH MIN RESERVE OF ₹ 100 CRORES.
- IT IS BACKSUPPORTED BY ASSETS.
- IT IS 2ND MOST SECURED & 2ND LOWEST RISK INSTRUMENT OF MONEY MARKET.
- 1ST TIME ISSUED IN 1989.
- CERTIFICATE OF DEPOSITS ARE ISSUED BY BANKS THROUGH THEIR BRANCHES.

CERTIFICATE OF DEPOSIT

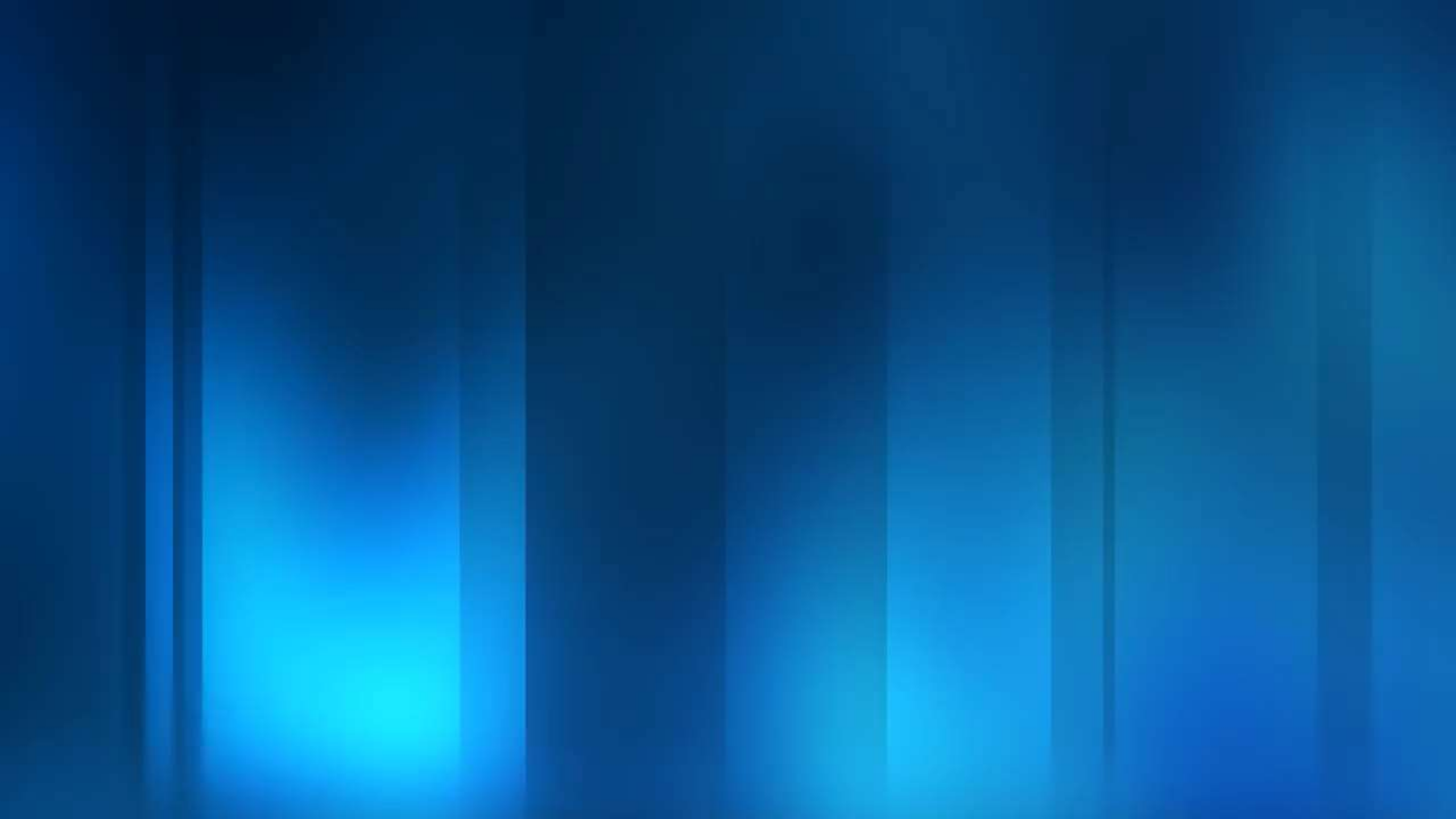
- IT IS SEMI TRANSFERABLE INSTRUMENT.
- IT IS PURCHASED BY RESIDENTS & NON RESIDENTS ONLY.
- IT IS ISSUED AT DISCOUNT & MATURED AT FACE VALUE.
- IT IS ISSUED BY BANKS AGAINST THEIR ASSETS.
- ISSUED IN MIN. VALUE OF ₹5,00,000/- & ITS MULTIPLES.
- MIN. MATURITY 7 DAYS & MAX. 364 DAYS.
- TAX IS APPLICABLE ON THE PROFIT.

COMMERCIAL PAPER

- **COMMERCIAL PAPERS ARE ISSUED BY COMPANIES & CORPORATES.**
- **IT IS ISSUED IN MARKET BY CO. & CORPORATES WITH MIN RESERVE OF ₹ 50 CRORES.**
- **IT IS NOT BACKSUPPORTED BY ASSETS.**
- **IT IS MOST UNSECURED & HIGHEST RISK INSTRUMENT OF MONEY MARKET.**
- **1ST TIME ISSUED IN 1990.**
- **COMMERCIAL PAPERS ARE ISSUED BY BANKS THROUGH THEIR BRANCHES.**
- **IT IS FULLY TRANSFERABLE INSTRUMENT.**

COMMERCIAL PAPER

- IT IS PURCHASED BY ANYONE.
- IT IS ISSUED AT DISCOUNT & MATURED AT FACE VALUE.
- IT IS ISSUED BY BANKS AGAINST THEIR ASSETS.
- ISSUED IN MIN. VALUE OF ₹5,00,000/- & ITS MULTIPLES.
- MIN. MATURITY 7 DAYS & MAX. 364 DAYS.
- TAX IS APPLICABLE ON THE PROFIT.
- BEFORE ISSUING CP, CO. HAS TO TAKE RATING FROM APPROVED CREDIT RATING AGENCIES FROM RBI.



DATED GOVT. SECURITIES

Pre-determined
Maturity

- DATED GOVT. SECURITIES ARE ISSUED BY GOVT. OF INDIA.
- IT IS ISSUED IN MARKET BY RBI.
- IT IS BACKSUPPORTED BY ASSETS.
- IT IS MOST SECURED & LOWEST RISK INSTRUMENT OF MONEY MARKET.
- 1ST TIME ISSUED IN 1996 & RETURN PAID ON HALF YEARLY BASIS.
- DATED G-SECS. ARE NOT ISSUED BY STATE GOVT.
- IT IS SEMI TRANSFERABLE INSTRUMENT.

DATED GOVT. SECURITIES

- IT IS PURCHASED BY RESIDENTS & NON RESIDENTS ONLY.
- IT IS ISSUED AT DISCOUNT & MATURED AT FACE VALUE.
- IT IS ISSUED BY GOVT. AGAINST THEIR ASSETS.
- ISSUED IN MIN. VALUE OF ₹10,000/- & ITS MULTIPLES.
- MIN. MATURITY 5 YEARS & MAX. 40 YEARS.
- TAX IS NOT APPLICABLE ON THE PROFIT.
- DATED G-SECS. HAVING PRE DETERMINED MATURITY.

G-secs.
✓ Lakh
95000/-

ZERO COUPON BONDS

- ZERO COUPON BONDS ARE ISSUED BY CO. & CORPORATES.
- IT IS ISSUED IN MARKET BY BANKS.
- IT IS BACKSUPPORTED BY ASSETS.
- IT IS ONE OF THE MOST SECURED & LOWEST RISK INSTRUMENTS OF MONEY MARKET.
- 1ST TIME ISSUED IN 1990.
- IT IS SEMI TRANSFERABLE INSTRUMENT.

COUPON
Banking & Finance
Interest Rate

ZERO COUPON BONDS

- IT IS PURCHASED BY RESIDENTS & NON RESIDENTS ONLY.
- IT IS ISSUED AT DISCOUNT & MATURED AT FACE VALUE.
- IT IS ISSUED BY CO. AGAINST THEIR ASSETS.
- ISSUED IN MIN. VALUE OF ₹1,00,000/- & ITS MULTIPLES.
- MIN. MATURITY 5 YEARS & MAX. 10 YEARS.
- TAX IS APPLICABLE ON THE PROFIT.
- RETURN ON INVESTMENT PAID ON QUARTERLY OR HALF YEARLY BASIS.

DEEP DISCOUNT BONDS

- DEEP DISCOUNT BONDS ARE ISSUED BY CO. & CORPORATES.
- IT IS ISSUED IN MARKET BY BANKS.
- IT IS BACKSUPPORTED BY ASSETS.
- IT IS ONE OF THE MOST SECURED & LOWEST RISK INSTRUMENTS OF MONEY MARKET.
- 1ST TIME ISSUED IN 1992 BY IDBI BANK & FOLLOWED BY ICICI BANK.
- IT IS SEMI TRANSFERABLE INSTRUMENT.

DEEP DISCOUNT BONDS

- IT IS PURCHASED BY RESIDENTS & NON RESIDENTS ONLY.
- IT IS ISSUED AT DISCOUNT & MATURED AT FACE VALUE.
- IT IS ISSUED BY CO. AGAINST THEIR ASSETS.
- ISSUED IN MIN. VALUE OF ₹1,00,000/- & ITS MULTIPLES.
- MIN. MATURITY 10 YEARS & MAX. 25 YEARS.
- TAX IS APPLICABLE ON THE PROFIT.
- RETURN ON INVESTMENT PAID ON QUARTERLY OR HALF YEARLY BASIS.

₹ 1000 Cr.

Capital — Business

₹ 5000 Cr.

₹ 5000 Cr.

Indian Capital Market

- ① Authorised Capital — legally Capital — maximum Borrowing limit of the company.
 - ② Issued Capital — ₹ 1000 Cr.
 - ③ Paid Up Capital — first call →
 - ④ Called up Capital — second call →
 - ⑤ Subscribed Capital — acquired by investors,
- Subscribed ≤ Issued
Capital ≤ Capital

A capital market is a financial market in which long-term debt (over a year) or equity-backed securities are bought and sold.

Capital markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments.



SHARE - Smallest & Equal part of the authorised Capital of the company.

$\frac{₹ 5000000}{50000} = ₹ 10$

Share.
Face Value

CAPITAL MARKET

PRIMARY MARKET — CO. & Investors

SECONDARY MARKET — Investor & Investor

GILT EDGED MARKET — Mid & Long term Govt. — Secs. market.



