



**Merchant Bankers**



**Mortgage Underwriters**



**CAPITAL MARKET  
INTERMEDIARIES**

JK SHAH CLASSES



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Entities that help the issuing company and investing investors to perform various transactions in capital market are called as capital market intermediaries.

Kinds of Capital Market Intermediaries:

1. Merchant banker
2. Lead Merchant banker / Lead Manager
3. Registrars and Share Transfer agents (RTA)
4. Underwriters
5. Debenture trustee
6. Bankers to an issue
7. Portfolio Manager
8. Stock broker and Sub broker

# Merchant banker

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He is the person who

- ✓ Is engaged in the business of issue management or
- ✓ Acts as a manager, advisor or consultant in relation to issue management. Activities:
- ✓ In the business of issue management
  - o Preparation of prospectus
  - o Preparation of other information regarding issue
  - o Tie-up with financiers
  - o Final allotment and refund of application money
- ✓ Manager, advisor, consultant, underwriter and portfolio manage

# Lead manager / Lead merchant banker:

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An issue can be managed by a merchant banker as said before. But all public issues and rights issues should be managed by Lead merchant banker / Lead manager

Activities:

- ✓ In the business of issue management
- ✓ Financial structure determination
- ✓ Issue size determination
- ✓ Preparation of prospectus
- ✓ Meeting the prospective investors
- ✓ Tie-up with financiers
- ✓ Manager, advisor, consultant, underwriter and portfolio manager.

# Registrars and Share transfer agents (RTA)

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- RTA is a combination of two expressions:
- Registrar to an issue (Primary market)
- Share transfer agent (Secondary market)
- A category of RTA can act as both registrar and share transfer agent.

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Registrar to an issue:

He is the person authorized by the company to

- Collect applications from investors along with application money
- Keep record of collected applications and moneys received
- Assist company in allotment stage, how to allot, when to be allotted and sending allotment letter

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Share transfer agent:

He is the person appointed by the company to

- Maintain records of existing shareholders of the company
- Deal with transfer or redemption of securities

# Underwriters:

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- Underwriting is an agreement between underwriter and the company stating that the underwriter would subscribe, with or without conditions, to the securities of the company, when existing shareholders or public doesn't subscribe for the securities offered to them.
- Underwriter is a person who engages in the business of underwriting an issue of securities of a company. Banks, Financial institutions, merchant bankers, etc do the work of underwriting.



# Debenture trustee:

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- It means a trustee of a trust deed for securing the issue of debentures of a company.
- Scheduled commercial banks, PFI, Insurance Company, a body corporate do the work of a debenture trustee

# Bankers to an issue:

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Bankers to an issue means any scheduled bank which

- ✓ Accepts application money
- ✓ Accepts allotment and call money
- ✓ Refunds the application money
- ✓ Pays the dividend / interest

# Portfolio manager (PM):

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He is the person who advises, directs and manages the portfolio of securities of his client.

- ✓ Discretionary PM: He manages the portfolio of his client independently and with his full discretion.
- ✓ Non-discretionary PM: He manages the portfolio of his client by the instructions of his client.
- ✓ Portfolio: Portfolio refers to the total holdings of securities belonging to the person.
- ✓ Managing: Managing means to decide on whether to invest in new funds or old funds or in what mix the investment should be made on various scrips. These depend on market situation, fluctuation and expectation.

# Stock broker / Sub broker:

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- ✓ Stock broker is a person registered with SEBI, as a member, to help both seller and buyer of securities to enter into a transaction. This means he acts as a communication channel between company and the investor.
- ✓ Sub broker is a person, not registered with SEBI as a member, but authorized by SEBI to assist stock broker in executing his broking services

# Investment Advisers

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- ✓ “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
- ✓ Investment advisers are those, who guide one about his or her financial dealings and investments. Basically Investment adviser give advice and provide services related to the investment management process. The Investment adviser shall done the risk profiling for clients to assess their risks

# Research Analysts

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“Research analyst” means a person who is primarily responsible for,

- i. preparation or publication of the content of the research report; or

ii. providing research report; or

iii. making ‘buy/sell/hold’ recommendation; or

iv. giving price target;

v. offering an opinion concerning public offer, with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of ‘research analyst’ and includes any other entities engaged in issuance of research report or research analysis.

# Credit Rating Agencies

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- Credit rating agency” means a body corporate which is engaged in, or proposes to be engaged in, the business of rating of securities offered by way of public or rights issue.
- Credit rating is extremely important as it not only plays a role in investor protection but also benefits industry as a whole in terms of direct mobilization of savings from individuals.
- Rating also provide a marketing tool to the company and its investment bankers in placing company’s debt obligations with a investor base that is aware of, and comfortable with, the level of risk.
- Ratings also encourage discipline amongst corporate borrowers to improve their financial structure and operating risks to obtain a better rating for their debt obligations and thereby lower the cost of borrowing.

# Custodians of Securities

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A custodian is a person who carries on the business of providing custodial services to the client. The custodian keeps the custody of the securities of the client.

The custodian also provides incidental services such as maintaining the accounts of securities of the client, collecting the benefits or rights accruing to the client in respect of securities.

- ✓ Administrate and protect the assets of the clients.
- ✓ Open a separate custody account and deposit account in the name of each client.
- ✓ Record assets.
- ✓ Conduct registration of securities



# INTERNAL AUDIT OF INTERMEDIARIES BY COMPANY SECRETARY IN PRACTICE

