



## **[Frequently Asked Questions]**

### **Secondary Market in India Part - 2**

<b>Subject:</b>	Business Economics
<b>Course:</b>	B. A., 4th Semester, Undergraduate
<b>Paper No. &amp; Title:</b>	Paper – 404 Indian Financial System
<b>Unit No. &amp; Title:</b>	Unit – 3 Secondary Market in India
<b>Lecture No. &amp; Title:</b>	Lecture – 2 Secondary Market in India Part - 2

## **Frequently Asked Questions**

### **Q1. What is online trading in securities?**

**A1.** Online trading in securities refers to the facility of investor being able to place his own orders using the internet trading platform offered by the trading member viz., the broker. The orders so placed by the investor using internet would be routed through the trading member.

### **Q2. How can one start trading online?**

**A2.** To start with, investor needs to identify a trading member who offers internet trading facility and register with the trading member for availing the internet trading facility.

### **Q3. How to choose an online stock broker?**

**A3.** Many of the big and medium sized trading members offer internet trading facility. Investor can get the details of trading members of the Exchange on the website [www.nseindia.com](http://www.nseindia.com). Identify brokers offering internet trading facility; check their references from persons having knowledge about financial markets and select a broker who has good reputation and capability to deliver all the services that are expected by the investor.

### **Q4. Who could use online trading?**

**A4.** Usually, a person familiar in using computer, conversant with the use of internet and who is able to tackle routine problems associated with use of personal computers may opt for online trading.

**Q5. Are there additional documents to be executed for registering as internet customer?**

**A5.** As per SEBI and Exchange stipulations, in addition to execution of regular KYC documents, the investor would have to execute a specific Member- client agreement for internet trading which broadly spells out the rights and obligations of trading member and Investor besides alerting on system related risk, confidentiality of user id and password. Further, Member and investor may also agree amongst themselves in execution of other documents like Power of Attorney for DP operations, Opening of DP and bank account etc.,

**Q6. What documents are received usually after registration as an online trading client?**

**A6.** On registering as online trading client with the trading member, normally investor receives a welcome kit containing the user-id and password allotted to the client.

**Q7. What is included in a Contract Note?**

**A7.** Ensure that the Contract Note contains: SEBI registration number of the Trading Member/Sub-broker Details of trade such as, Order no., trade no., trade time, quantity, price, brokerage, settlement number, details of other levies.

**Q8. How many depositories are there in india?**

**A8.** There are 2 depositories in india namely NSDL (National Securities Depository Limited) and CDSL (Central Depositories Services (India) Limited)

**Q9. What does Security sigma mean?**

**A9.** Security sigma means the volatility of the security computed as at the end of the previous trading day. The computation uses the exponentially weighted moving average method applied to daily returns in the same manner as in the derivatives market.

**Q10. What does mark to market margin mean?**

**A10.** The MTM margin is collected on the gross open position of the Member.