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Analysis of online trading and Dematerialization INDUSTRIAL TRAINING REPORT An Organizational Study of Standard Chartered Wealth Managers & Study of the Investment pattern of individuals with special focus on online trading and Demat account This Industrial Training Report is being submitted in partial fulfillment of the requirements For the award of the Degree of MASTER OF BUSINESS ADMINISTRATION of BANGALORE UNIVERSITY The training has been undertaken by GURURAJ B H Reg. No. 08VWCM6023 Under the guidance of Prof. Ruchi Alliance Business Academy Ms. Tanushree Barua City Manager, Standard Chartered Wealth Managers Bangalore

ALLIANCE BUSINESS ACADEMY Batch – 2008 – 2010 Gururaj B H Alliance Business Academy Page 1 Analysis of online trading and Dematerialization DECLARATION I, Gururaj B H, studying at Alliance Business Academy, hereby state that this industrial training report titled ? Study of the investment pattern of individuals with special focus on online trading and Demat account? was carried at Standard Chartered Wealth Managers is submitted in partial fulfillment of the requirement of the MBA Program of Bangalore University is an original work carried out by me under the guidance and supervision of Prof.

Ruchi, faculty guide & Ms. Tanushree Barua, Industry guide and that the project or any part thereof has not been previously submitted for a degree/diploma of any University/ Institution elsewhere. Date: 15/08/2009 Place: Bangalore Gururaj B H Register No. 08VWCM6023 Gururaj B H Alliance Business Academy Page 2 Analysis of online trading and Dematerialization TABLE OF CONTENTS Chapter No Executive summary Title Page No 6 1 1. 1 1. 2 1. 3 1. 4 1. 5 1. 6 1. 7 1. 8

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EXECUTIVE SUMMARY The commencement of E-Trading and Demat has transformed the capital market in India. With the help of Demat and Trading account, buying and selling of shares has become a much faster and even process than trading with the assistance of a physical broker. It provides for the assimilation of bank, broker, stock exchange and depository participants. This helps to get rid of the painstaking procedure of investing in stock exchange. Today, if one wants to invest in stock market, he has to contact a broker on phone or meet him personally to place order.

A broker generally gives such importance and additional service only to high net worth customers. But the introduction of Internet trading, even a common or a small investor gets an opportunity to avail the service at an affordable price which is much lesser than what is charged by a physical broker over the phone. Online trading has given customer a real time access to account information, stock quotes elaborated market research and interactive trading. The prerequisites of Internet trading are a computer, a modem and a telephone connection, registration with broker, a bank a/c and depository account.

The introduction of depository service are considered as the ? Beginning of the trading of Stocks @ click ?. This means that you can arrange delivery of scrips sold anytime, anywhere to anyone by click of a mouse. Dematerialization facilitates to keep the securities in electronic form instead of paper form. It offers more advantageous than the physical certificate form. Despite the advantages of Dematerialization, the awareness levels among the investors relating to Demat account is not adequate because of numerous reasons.

The investors are not sufficiently responsive of the concept of Demat account and the various financial institutions providing such services. This study involves understanding the various concepts of Demat and analyzing the investment pattern of individuals in India and a study on ? Analysis of awareness among investors regarding On Line Trading and Dematerialization? has been submitted to Bangalore University as a part of curriculum for the partial completion of ? MBA?. Gururaj B H Alliance Business Academy Page 6

Analysis of online trading and Dematerialization INDUSTRY ANALYSIS: 1. 1. Introduction to Banking: A modern industrial society cannot be run by self financing of entrepreneurs. Some institutional assistance is necessary to mobilize the savings of the community and to make it available to the entrepreneurs. The people a large majority of whom save in small odd lots also want an institution which can ensure safety of their funds together with liquidity. Banks assure this with a further that the funds can be drawn back in case of a need.

From a broader social angle, banks act as a bridge between the users of capital and those who save but cannot use the funds themselves. The idle resources of the community are thus activated and brought to productive use. The banking system has capacity to add to the total supply of money by means of credit creation. It is because of their ability to manipulate credit that banks are used extensively as a tool of monetary policy. They, through channeling of funds into one or the other direction on a priority basis or extending it to one or the other on concessional terms and conditions, nfluence the flow of funds and thereby the nature of economic development. Banks are the most significant players in the Indian financial market. They are the biggest purveyors of credit, and they also attract most of the savings from the population. Dominated by public sector, the banking industry has so far acted as an efficient partner in the growth and the development of the country. Driven by the socialist ideologies and the welfare state concept, public sector banks have long been the supporters of agriculture and other priority sectors.

They act as crucial channels of the government in its efforts to ensure equitable economic development. Gururaj B H Alliance Business Academy Page 7 Analysis of online trading and Dematerialization 1. 1. 1 Functions of a bank: The functions of a bank can be summarized as follows: a. Receipt of Deposits: A bank receives deposits from Individuals, firms and other institutions. Deposits constitute the main resources of a bank. Such deposits may be of different types. Deposits which are withdrawable on demand are called demand or current deposits and others are called as time deposits.

Savings deposits are those from which withdrawals are restricted as regards the amount and the period. Deposits withdrawable after the expiry of an agreed period are known as fixed deposits. Interest paid by banks is different for each kind of deposit; highest for the fixed deposits and lowest or even nil for current deposits. b. Lending of money: Banks lend money mainly for industrial and commercial purposes. This lending take the form of cash credits, overdrafts, loans and advances, or discounting of bills of exchange. Interest charged by banks on uch lending varies according to the amount and period involved, social priority nature of security offered, the standing of the borrower etc. c. Agency services: A bank renders various services to consumers such as collection of bills, promissory notes and cheques, collection of dividends, interests, premiums etc. , purchase and sale of securities, acting as trustees or executor when nominated and making regular payments such as insurance premiums. d. General Services: A modern bank performs many services of general nature to the public.

Eg: Issue of letters of credit, travelers cheque, bank drafts, circular notes, etc. , safekeeping of valuables in safe deposit vaults, supplying trade information and statistics, conducting economic surveys and Gururaj B H Alliance Business Academy Page 8 Analysis of online trading and Dematerialization preparation of feasibility studies, project reports etc. Banks in foreign countries also undertake the issue of shares and make loans for long term purposes. 1. 2 Global Banking Industry: The worldwide assets of the largest 1, 000 banks grew at 16. % in 2008 / 2009 to reach a record $74. 2 trillion. This follows a 5. 4% increase in the previous year. European Union banks held the largest share, 53%, up from 43% a decade earlier. The growth in Europe’s share was mostly at the expense of Japanese banks, whose share more than halved during this period from 21% to 10%. The share of US banks remained relatively stable at around 14%. Most of the remainder was from other Asian and European countries. The United States has by far the most banks in the world, both in terms of institutions (7, 540 at the end of 2005) and branches (75, 000).

This is an indicator of the geography and regulatory structure of the USA, resulting in a large number of small to medium-sized institutions in its banking system. Japan had 129 banks and 12, 000 branches. In 2004, Germany, France, and Italy each had more than 30, 000 branches—more than double the 15, 000 branches in the UK. 1. 3 Indian Banking Scenario: Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the State Bank of India, a government-owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country.

Central banking is the responsibility of the Reserve Bank of India, which in 1935 formally took over these responsibilities from the then Imperial Bank of India, relegating it to commercial banking functions. After India’s independence in 1947, the Reserve Bank was nationalized and given broader powers. In 1969 the government nationalized the 14 largest commercial banks; the government nationalized the six next largest in 1980. Gururaj B H Alliance Business Academy Page 9 Analysis of online trading and Dematerialization

Currently, India has 88 scheduled commercial banks (SCBs) – 27 public sector banks (that is with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53, 000 branches and 17, 000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18. 2% and 6. 5% respectively

The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts a centralized body monitoring any discrepancies and shortcoming in the system. Since the nationalization of banks in 1969, the public sector banks or the nationalized banks have acquired a place of prominence and has since then have achieved tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach.

Conservative banking practices allowed Indian banks to be insulated partially from the Asian currency crisis. Indian banks are now quoting all higher valuation when compared to banks in other Asian countries (viz. Hong Kong, Singapore, Philippines etc. ) that have major problems linked to huge Non Performing Assets (NPAs) and payment defaults. Co-operative banks are nimble footed in approach and armed with efficient branch networks focus primarily on the ? high revenue’ niche retail segments. The Indian banking has finally worked up to the competitive dynamics of the ? ew’ Indian market and is addressing the relevant issues to take on the multifarious challenges of globalization. Banks that employ IT solutions are perceived to be ? futuristic’ and proactive players capable of meeting the multifarious requirements of the large customer’s base. Private Banks have been fast on the uptake and are reorienting their strategies using the internet as a medium The Internet has emerged as the new and challenging frontier of marketing with the conventional physical world tenets being just as applicable like in any other marketing medium.

The Indian banking has come from a long way from being a quiet business institution to a highly proactive and dynamic entity. This transformation has been largely brought about by the large dose of liberalization and economic reforms that allowed banks to explore new business opportunities rather than generating revenues from conventional streams (i. e. borrowing and lending). The banking in India is highly fragmented with 30 banking units Gururaj B H Alliance Business Academy Page 10 Analysis of online trading and Dematerialization contributing to almost 50% of deposits and 60% of advances.

Indian nationalized banks (banks owned by the government) continue to be the major lenders in the economy due to their sheer size and penetrative networks which assures them high deposit mobilization. The Indian banking can be broadly categorized into nationalized banks, private banks and specialized banking institutions. The Reserve Bank of India acts as a centralized body monitoring any discrepancies and shortcoming in the system. It is the foremost monitoring body in the Indian financial sector. The nationalized banks (i. e. government-owned banks) continue to dominate the Indian banking arena.

Industry estimates indicate that out of 274 commercial banks operating in India, 223 banks are in the public sector and 51 are in the private sector. The private sector bank grid also includes 24 foreign banks that have started their operations here. The liberalization policy of Government of India permitted entry to private sector in the banking, the industry has witnessed the entry of nine new generation private banks. The major differentiating parameter that distinguishes these banks from all the other banks in the Indian banking is the level of service that is offered to the customer.

Their focus has always been centered on the customer – understanding his needs, preempting him and consequently delighting him with various configurations of benefits and a wide portfolio of products and services. These banks have generally been established by promoters of repute or by ? high value’ domestic financial institutions. The popularity of these banks can be gauged by the fact that in a short span of time, these banks have gained considerable customer confidence and consequently have shown impressive growth rates. Today, the private banks corner almost four per cent share of the total share of deposits.

Most of the banks in this category are concentrated in the high-growth urban areas in metros (that account for approximately 70% of the total banking business). With efficiency being the major focus, these banks have leveraged on their strengths and competencies viz. Management, operational efficiency and flexibility, superior product positioning and higher employee productivity skills. This is the strategy that has allowed these banks to concentrate on few reliable high net worth companies and individuals rather than cater to the mass market.

These Gururaj B H Alliance Business Academy Page 11 Analysis of online trading and Dematerialization well-chalked out integrates strategy plans have allowed most of these banks to deliver superlative levels of personalized services. With the Reserve Bank of India allowing these banks to operate 70% of their businesses in urban areas, this statutory requirement has translated into lower deposit mobilization costs and higher margins relative to public sector banks. 1. 4 PEST Analysis of Banking Industry:

Political / Legal Environment: The policies of the Government and Reserve Bank of India influence the banking sector. At times, considering the political advantage of a particular party, the Government declares some measures to their benefits like waiver of short-term agricultural loans, to attract the farmer’s votes. By doing so, the entire banking system in the country gets affected. Various banks in the cooperative sector are open and are affected by the decisions of politicians. They exploit these banks for their benefits.

The government also possesses the right to appoint the key personnel in the bank like chairman etc. Various policies are framed by the RBI analyzing the present situation of the country like policies on cash reserve ratio, regulation of interest rates, licensing, statutory liquidity ratio, prime lending rates, bank rate, selective credit control measures, open market operations etc for better control over the banks. Economic Environment: India had a well knit banking system before Independence. But most of the banks neglected the priority sectors (like agriculture, small industries, exports etc. and mostly financed the industrial units. In order to have social control on banks, they were nationalized in 1969 and 1980 so as to ensure proper flow of funds in the economy. After nationalization, the banks have spread their wings all over the country. They cater to the needs of all agriculture, industry and commerce. Gururaj B H Alliance Business Academy Page 12 Analysis of online trading and Dematerialization However they still have a long way to go in terms of removing inter regional, inter-sectoral imbalances.

Every year RBI declares its 6 monthly policy and accordingly the various measures and rates are implemented which has an impact on the banking sector. Also the Union budget affects the banking sector to boost the economy by giving certain concessions or facilities. If in the Budget savings are encouraged, then more deposits will be attracted towards the banks and in turn they can lend more money to the agricultural sector and industrial sector, therefore, booming the economy. If the FDI limits are relaxed, then more FDI are brought in India through banking channels.

Socio Cultural Environment: Before nationalization of the banks, their control was in the hands of the private parties and only big business houses and the effluent sections of the society were getting benefits of banking in India. In 1969 government nationalized 14 banks. To adopt the social development in the banking sector it was necessary for speedy economic progress, consistent with social justice, in democratic political system, which is free from domination of law, and in which opportunities are open to all.

Accordingly, keeping in mind both the national and social objectives, bankers were given direction to help economically weaker section of the society and also provide needbased finance to all the sectors of the economy with flexible and liberal attitude. Now the banks provide various types of loans to farmers, working women, professionals, and traders. They also provide education loan to the students and housing loans, consumer loans, etc. Banks having big clients or big companies have to provide services like personalized banking to their clients because these customers do not believe n running about and waiting in queues for getting their work done. The bankers also have to provide these customers with special provisions and at times with benefits like food and parties. But the banks do not mind incurring these costs because of the kind of business these clients bring for the bank. Gururaj B H Alliance Business Academy Page 13 Analysis of online trading and Dematerialization Banks have changed the culture of human life in India and have made life much easier for the people. Technological Environment: Technology plays a very important role in bank’s internal control mechanisms as well as services offered by them.

It has in fact given new dimensions to the banks as well as services that they cater to and the banks are enthusiastically adopting new technological innovations for devising new products and services. The latest developments in terms of technology in computer and telecommunication have encouraged the bankers to change the concept of branch banking to anywhere banking. The use of ATM and Internet banking has allowed ? anytime, anywhere, banking’ facilities. Automatic voice recorders now answer simple queries, currency accounting machines makes the job easier and self-service counters are now encouraged.

Credit card facility has encouraged an era of cashless society. Today MasterCard and Visa card are the two most popular cards used world over. The banks have now started issuing smartcards or debit cards to be used for making payments. These are also called as electronic purse. Some of the banks have also started home banking through telecommunication facilities and computer technology by using terminals installed at customers home and they can make the balance inquiry, get the statement of accounts, give instructions for fund transfers, etc.

Through ECS we can receive the dividends and interest directly to our account avoiding the delay or chance of losing the post. Today banks are also using SMS and Internet as major tool of promotions and giving great utility to its customers. For example SMS functions through simple text messages sent from our mobile. The messages are then recognized by the bank to provide you with the required information. All these technological changes have forced the bankers to adopt customer-based approach instead of product-based approach. Gururaj B H Alliance Business Academy

Page 14 Analysis of online trading and Dematerialization 1. 5 New Business Opportunities in banking: With the interest income coming under pressure, banks are urgently looking for expanding feebased income activities. Banks are increasingly getting attracted towards activities such as marketing mutual funds and insurance policies, offering credit cards to suit different categories of customers and services such as wealth management and equity trading. These are indeed proving to be more profitable for banks than plain vanilla lending and borrowing. Graph No. howing the investment opportunities available to banking sector in India: Investment Opportunities (%) 13% 8% 27% Selling of Mutual Funds Bancassurance Forex Management 25% 27% Wealth Management Derivatives Trading source: www. wikipedia. com 1. 6 Investment Scenario in India: Investments, unlike works of art, cannot afford the luxury of experimenting. Investing is not guesswork. It takes more than just a ? tip’; it needs training to plan, instinct to pick and sheer intellect to make it work for the investor. Human nature is capricious, his wants keep changing.

Many individuals find investments to be fascinating because they can participate in the decision Gururaj B H Alliance Business Academy Page 15 Analysis of online trading and Dematerialization making process and see the results of their choices. Not all investments will be profitable, as investor wills not always make the correct investment decisions over the period of years; however, you should earn a positive return on a diversified portfolio. In addition, there is a thrill from the major success, along with the agony associated with the stock that dramatically rose after you sold or did not buy.

Investing is not a game but a serious subject that can have a major impact on investor’s future well being. Virtually everyone makes investments. Even if the individual does not select specific assets such as stock, investments are still made through participation in pension plan, and employee saving program or through purchase of life insurance or a home. Each of this investment has common characteristics such as potential return and the risk you must bear. The future is uncertain, and you must determine how much risk you are willing to bear since higher return is associated with accepting more risk.

The individual should start by specifying investment goals. Once these goals are established, the individual should be aware of the mechanics of investing and the environment in which investment decisions are made. These include the process by which securities are issued and subsequently bought and sold, the regulations and tax laws that have been enacted by various levels of government, and the sources of information concerning investment that are available to the individual. An understanding of this financial background leads to three important general financial concepts that apply to investing.

Today the field of investment is even more dynamic than it was only a decade ago. World event rapidly-events that alter the values of specific assets the individual has so many assets to choose from, and the amount of information available to the investors is staggering and continually growing. An investment can be described as perfect if it satisfies all the needs of all investors. So, the starting point in searching for the perfect investment would be to examine investor needs.

If all those needs are met by the investment, then that investment can be termed the perfect investment. Gururaj B H Alliance Business Academy Page 16 Analysis of online trading and Dematerialization Most investors and advisors spend a great deal of time understanding the merits of the thousands of investments available in India. Little time, however, is spent understanding the needs of the investor and ensuring that the most appropriate investments are selected for him. 1. 7 RECENT DEVELOPMENTS IN THE INDUSTRY: A.

Statutory Pre – emptions: In the pre-reforms phase, the Indian banking system operated with a high level of statutory pre – emptions, in the form of both the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR), reflecting the high level of the country’s fiscal deficit and its high degree of monetization. Efforts in the recent period have been focused on lowering both the CRR and SLR. The statutory minimum of 25 per cent for the SLR was reached as early as 1997, and while the Reserve Bank continues to pursue its mediumterm objective of reducing the CRR to the statutory minimum level of 3. per cent, the CRR of the Scheduled Commercial Banks (SCBs) is currently placed at 5. 0 per cent of NDTL (net demand and time liabilities). The legislative changes proposed by the Government in the Union Budget, 2005-06 to remove the limits on the SLR and CRR have provided freedom to the Reserve Bank in the conduct of monetary policy and also lend further flexibility to the banking system in the deployment of resources. B. Interest Rate Structure: Deregulation of interest rates has been one of the key features of financial sector reforms.

In recent years, it has improved the competitiveness of the financial environment and strengthened the transmission mechanism of monetary policy. Sequencing of interest rate deregulation has also enabled better price discovery and imparted greater efficiency to the resource allocation process. After the interest rate deregulation, banks became free to determine their own lending interest rates. As advised by the Indian Banks’ Association (a self-regulatory organization for banks), commercial banks determine their respective BPLRs (benchmark prime lending rates) taking into consideration:

Gururaj B H Alliance Business Academy Page 17 Analysis of online trading and Dematerialization (i) actual cost of funds; (ii) operating expenses; and (iii) a minimum margin to cover regulatory requirements of provisioning and capital charge and profit margin. C. Prudential Regulation: Prudential norms related to risk-weighted capital adequacy requirements, accounting, income recognition, provisioning and exposure were introduced in 1992 and gradually these norms have been brought up to international standards.

Other initiatives in the area of strengthening prudential norms include measures to strengthen risk management through recognition of different components of risk, assignment of risk-weights to various asset classes, norms on connected lending and risk concentration, application of the mark-to-market principle for investment portfolios and limits on deployment of funds in sensitive activities. D.

Exposure Norms: The Reserve Bank has prescribed regulatory limits on banks’ exposure to individual and group borrowers to avoid concentration of credit, and has advised banks to fix limits on their exposure to specific industries or sectors (real estate) to ensure better risk management. In addition, banks are also required to observe certain statutory and regulatory limits in respect of their exposures to capital markets. E.

Asset Liability Management: In view of the growing need for banks to be able to identify, measure, monitor and control risks, appropriate risk management guidelines have been issued from time to time by the Reserve Bank, including guidelines on Asset-Liability Management (ALM). These guidelines are intended to serve as a benchmark for banks to establish an integrated risk management system. F. NPL Management: Banks have been provided with a menu of options for disposal/recovery of NPLs (nonperforming loans).

Banks resolve/recover their NPLs through compromise/one time Gururaj B H Alliance Business Academy Page 18 Analysis of online trading and Dematerialization settlement, filing of suits, Debt Recovery Tribunals, the Lok Adalat forum, Corporate Debt Restructuring (CDR), sale to securitization / reconstruction companies and other banks or to non-banking finance companies (NBFCs). The promulgation of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and its subsequent amendment have strengthened the position of creditors. . 8 KEY PLAYERS IN FINANCIAL SERVICES INDUSTRY: 1) ICICI Securities Ltd. ICICI Securities Limited (i-SEC) is a wholly owned investment-banking subsidiary of ICICI Limited. ICICI is the only non-Japanese Asian financial institution to be listed on the New York Stock Exchange (NYSE). ICICI Securities was formed on 22nd Feb. 1993, when ICICI’s Merchant Banking Division was spun off into a new company; ICICI Securities today is India’s leading Investment Bank and one of the most significant players in the Indian capital markets.

ICICI Brokerage Services Limited (IBSL) set up in March 1995; IBSL is a 100% subsidiary of i-SEC. It commenced its securities brokerage activities in February 1996 and is registered with the National Stock Exchange of India Limited and The Stock Exchange, Mumbai. ICICI has started a website ICICIdirect. com which is the most comprehensive website, which allows you to invest in Shares, Mutual funds, Derivatives (Futures and Options) and other financial products. ICICI has a large network of branches all over India. Services offered: Gururaj B H Alliance Business Academy Page 19

Analysis of online trading and Dematerialization ? ? ? Merchant Banking Demat Service Stock Broking 2) HDFC Ltd: Housing Development Finance Corporation Limited is the leading financial company in India. IT has large network of branches all over India. HDFC Securities which is fully subsidiary of HDFC provides Demat service. HDFC and its subsidiary provides following services. ? ? ? ? ? ? ? ? Demat Service Life Insurance Banking Service Housing Finance Vehicle Finance Education Loan Personal Loan Mutual Fund 3) Kotak Securities Ltd:

Kotak Securities needs no introduction as one of the largest stock broking houses in the country and a leading distributor of primary market offerings. Kotak Securities limited is a joint venture between Kotak Mahindra Bank and Goldman Sachs, the international investment banking and brokerage firm. Gururaj B H Alliance Business Academy Page 20 Analysis of online trading and Dematerialization Kotak Securities is a corporate member of both the BSE and the NSE. It is also a depository participant with the National Securities Depository Limited (NSDL) for trading and settlement of dematerialized shares.

Services offered: ? ? ? ? Stock Broking Financial Product Distribution Demat Services Investment Advisory Services 4) Motilal Oswal Securities Ltd. Motilal Oswal Securities Ltd (MOSL) is one of the leading equity research and broking houses of India. MOSL has a 20-member research team, which is engaged round the clock in analyzing the Indian economy and corporate sectors to identify equity investment ideas. Asia Money Broker’s Poll 2002 has rated MOSL as one of the best Indian broking house, for research, for the second time since 2000.

Motilal Oswal is member of NSDL and CDSIL for DP. It has wide network of branches. It has 158 branches all over India. Services Offered: ? ? ? ? Demat Services Stock Broking Investment Advisory Service Financial Product Distribution Gururaj B H Alliance Business Academy Page 21 Analysis of online trading and Dematerialization 5) Sharekhan: Sharekhan is online stock trading company of SSKI Group, provider of India-based investment banking and corporate finance service. ShareKhan is one of the largest stock broking houses in the country.

S. S. Kantilal Ishwarlal Securities Limited (SSKI) has been among India’s leading broking houses for more than a century. Sharekhan’s equity related services include trade execution on BSE, NSE, Derivatives, commodities, depository services, online trading and investment advice. Trading is available in BSE and NSE. Along with Sharekhan. com website, ShareKhan has around 510 offices (share shops) in 170 cities around the country. Services Offered: ? ? ? Demat Services Stock Broking Investment Advisory Service ) Indiabulls: Indiabulls Group is one of India’s top Business houses with businesses spread over Real Estate, Infrastructure, Financial Services, Securities, Retail, Multiplex and Power sectors. The group companies are listed on important Indian and Overseas markets. Indiabulls group includes Indiabulls Financial Services, Indiabulls Real Estate Ltd and Indiabulls Securities Ltd. Indiabulls Financial Services is an integrated financial services powerhouse providing Consumer Finance, Housing Finance, Commercial Loans, Life Insurance, Asset Management and Advisory services.

Gururaj B H Alliance Business Academy Page 22 Analysis of online trading and Dematerialization COMPANY PROFILE 2. 1 OVERVIEW: The Standard Chartered Group was formed in 1969 through a merger of two banks: The Standard Bank of British South Africa founded in 1863 and the Chartered Bank of India, Australia and China, founded in 1853. Both companies were keen to capitalize on the huge expansion of trade and to earn the handsome profits to be made from financing the movement of goods from Europe to the East and to Africa. The Chartered Bank: ?

Founded by James Wilson following the grant of a Royal Charter by Queen Victoria in 1853. ? Chartered opened its first branches in Mumbai (Bombay), Calcutta and Shanghai in 1858, followed by Hong Kong and Singapore in 1859. ? Traditional business was in cotton from Mumbai (Bombay), indigo and tea from Calcutta, rice in Burma, sugar from Java, tobacco from Sumatra, hemp in Manila and silk from Yokohama. ? Played a major role in the development of trade with the East which followed the opening of the Suez Canal in 1869 and the extension of the telegraph to China in 1871. ?

In 1957 Chartered Bank bought the Eastern Bank together with the Ionian Bank’s Cyprus Branches. This established a presence in the Gulf. The Standard Bank ? Founded in the Cape Province of South Africa in 1862 by John Paterson. Commenced business in Port Elizabeth, South Africa, in January 1863. ? Was prominent in financing the development of the diamond fields of Kimberley from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885. Gururaj B H Alliance Business Academy Page 23 Analysis of online trading and Dematerialization ? Expanded in Southern, Central and Eastern Africa and by 1953 had 600 offices. In 1965, it merged with the Bank of West Africa expanding its operations into Cameroon, Gambia, Ghana, Nigeria and Sierra Leone. Standard Chartered Bank is a British bank headquartered in London with operations in more than seventy countries. It operates a network of over 1, 700 branches and outlets (including subsidiaries, associates and joint ventures) and employs 73, 000 people. Despite its British base, it has few customers in the United Kingdom and 90% of its profits come from Asia, Africa, and the Middle East.

Because the bank’s history is entwined with the development of the British Empire its operations lie predominantly in former British colonies, though over the past two decades it has expanded into countries that have historically had little British influence. It aims to provide a safe regulatory bridge between these developing economies. It now focuses on consumer, corporate, and institutional banking, and on the provision of treasury services—areas in which the Group had particular strength and expertise. Standard Chartered is listed on the London Stock Exchange and the Hong Kong Stock Exchange and is a constituent of the FTSE 100 Index.

Its largest shareholder is Temasek Holdings 2. 2 COMPANY HISTORY: In 1969, the decision was made by Chartered and by Standard to undergo a friendly merger. All was going well until 1986, when a hostile takeover bid was made for the Group by Lloyds Bank of the United Kingdom. When the bid was defeated, Standard Chartered entered a period of change. Provisions had to be made against third world debt exposure and loans to corporations and entrepreneurs who could not meet their commitments. Standard Chartered began a series of divestments notably in the United States and South Africa, and also entered into a number of asset sales.

From the early 1990s, Standard Chartered has focused on developing its strong franchises in Asia, the Middle East and Africa using its operations in the United Kingdom and North America to provide customers with a bridge between these markets. Secondly, it would focus on Gururaj B H Alliance Business Academy Page 24 Analysis of online trading and Dematerialization consumer, corporate and institutional banking and on the provision of treasury services – areas in which the Group had particular strength and expertise.

At Standard Chartered, success is built on teamwork, partnership and the diversity of our people. At the heart of their values lie diversity and inclusion. They are a fundamental part of their culture, and constitute a long-term priority in them to become the world’s best international bank. Today they employ 73, 000 people, representing 115 nationalities, and you’ll find 61 nationalities among our 500 most senior leaders. We believe this diversity helps to fuel creativity and innovation, supporting the development of exciting new products and services for our customers worldwide.

Standard Chartered PLC is listed on both the London Stock Exchange and the Stock Exchange of Hong Kong and is in the top 25 FTSE-100 companies, by market capitalization. Following the acquisition of Korea First Bank, Standard Chartered now employs 38, 000 people in 950 locations in more than 50 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. It serves both Consumer and Wholesale Banking customers. Consumer Banking provides credit cards, personal loans, mortgages, deposit taking and wealth management services to individuals and small to medium sized enterprises.

Wholesale Banking provides corporate and institutional clients with services in trade finance, cash management, lending, securities services, foreign exchange, debt capital markets and corporate finance. Standard Chartered is well established in growth markets and aims to be the right partner for its customers. The Bank combines deep local knowledge with global capability. The Bank is trusted across its network for its standard of governance and its commitment to making a difference in the communities in which it operates. Gururaj B H Alliance Business Academy Page 25 Analysis of online trading and Dematerialization

Table No showing prominent information regarding Standard Chartered: Type Founded Headquarters Key people Industry Products Revenue Operating income Net income Employees Website Public 1853 London, England, UK John Peace, Chairman, Peter Sands, Chief Executive Banking Financial Services $16, 378 million (2008) $4, 568 million (2008) $3, 511 million (2008) 73, 000 (2008) www. standardchartered. com Gururaj B H Alliance Business Academy Page 26 Analysis of online trading and Dematerialization 2. 3 CURRENT POSITION: Today, the bank is a leading player throughout the developing world.

Standard Chartered Bank is one of the three banks issuing banknotes for Hong Kong (Standard Chartered Bank (Hong Kong) Limited became a note-issuing bank from 2004), the other two being the Bank of China (Hong Kong) and The Hongkong and Shanghai Banking Corporation. The bank supports marathons in many cities, including London (The City Run), Jersey, Singapore, Dubai, Lahore, Mumbai, Hong Kong, and Nairobi. Picture No showing global presence of Standard Chartered: Standard chartered bank has its global presence in all over America, Asia, Africa, Middle East, and Europe.

In its unique position as an international bank with strong franchise, Standard Chartered combines an in-depth knowledge of local markets with global product expertise to offer effective financial solutions. The bank capitalizes on its onshore presence across Asia, Africa and the Middle East to offer customers convenient and reliable access to the widest range of currency markets, to date local market information, country-specific global risk management strategies, and customized capital raising and liquidity management solutions. Gururaj B H Alliance Business Academy Page 27

Analysis of online trading and Dematerialization 2. 4 RECENT ALLIANCES AND STRATEGIC ACQUISITIONS: In 2000, Standard Chartered acquired Grindlays Bank from ANZ Bank, increasing its presence in private banking and further expanding its operations in India and Pakistan. Standard Chartered retained Grindlays’ private banking operations in London and Luxembourg and the subsidiary in Jersey, all of which it integrated into its own private bank. This now serves high net worth customers in Hong Kong, Dubai, and Johannesburg under the name Standard Chartered Grindlays Offshore

Financial Services. In India, Standard Chartered integrated most of Grindlays’ operations, making Standard Chartered the largest foreign bank in the country, despite Standard Chartered having cut some branches and having reduced the staff from 5500 to 3500 people. On 15th April 2005, the bank acquired Korea First Bank, beating HSBC in the bid. Since then the bank has rebranded the branches as SC First Bank. Standard Chartered completed the integration of its Bangkok branch and Standard Chartered Nakornthon Bank in October, renaming the new entity Standard Chartered Bank (Thailand).

Standard Chartered also formed strategic alliances with Fleming Family & Partners to expand private wealth management in Asia and the Middle East, and acquired stakes in ACB Vietnam, Travelex, American Express Bank in Bangladesh and Bohai Bank in China. On 9th August 2006 Standard Chartered announced that it had acquired an 81% shareholding in the Union Bank of Pakistan in a deal ultimately worth $511 million. This deal represented the first acquisition by a foreign firm of a Pakistani bank and the merged bank, Standard Chartered Bank (Pakistan), is now Pakistan’s sixth largest bank.

On 22 October, 2006 Standard Chartered announced that it has received tenders for more than 51 per cent of the issued share capital of Hsinchu International Bank. On completion of the offer, Standard Chartered will have majority ownership of Hsinchu, Taiwan’s seventh largest private sector bank by loans and deposits as at 30 June, 2006. In 2006, Standard Chartered, in Bangladesh, announced an alliance with Dutch Bangla Bank Ltd to share their respective ATM operations. Gururaj B H Alliance Business Academy Page 28 Analysis of online trading and Dematerialization

On 23 August, 2007 Standard Chartered entered into an agreement to buy a 49 percent of an Indian brokerage firm (UTI Securities) for $36 million in cash from Securities Trading Corporation of India Ltd. , with the option to raise its stake to 75 percent in 2008 and, if both partners agree, to 100 percent by 2010. UTI Securities offers broking, wealth management and investment banking services across 60 Indian cities. On 29th February 2008, Standard Chartered PLC announced it has received all the required approvals leading to the completion of its acquisition of American Express Bank Ltd (AEB) from the American Express Company (AXP).

The total cash consideration for the acquisition is US$ 823 million The acquisition of AEB provides Standard Chartered with an opportunity to add capability, scale and momentum in the strategically important Financial Institutions and Private Banking businesses. It will add 19 more markets to the Standard Chartered footprint, while deepening presence in some core markets and providing access to several new growth markets. 2. 5 STANDARD CHARTERED, INDIA: The chartered bank opened its first overseas branch in India at Calcutta on the 12 April 1858.

Eight years later the Calcutta agent described the bank’s credit locally as splendid and its business as flourishing, particularly the substantial turnover in rice bills with the leading Arab firms. When the Chartered bank first established itself in India, Calcutta was the most important commercial city and was the center of the jute and the indigo trades. With the growth of the cotton trade and the opening Suez canal in 1869. Bombay took over from Calcutta remaining an important trading and banking center.

Now Standard Chartered is the largest international banking group in India combined balance sheet (as at March 31 2007) Rs 94515. 9 cr. having a combined customer base of 2. 4 million in retail banking and over 1200 corporate customers. Key business include consumer banking – primarily credit card mortgages personal loans and wealth management trade finance treasury and the custody services. Currently, in its 150th year, the bank continues its passion and commitment in bringing innovative banking solutions for the corporate and the retail customer. The group in India is Gururaj B H Alliance Business Academy Page 29

Analysis of online trading and Dematerialization credited with several industries first and the product innovations. These include issuance of the first global credit card in India and the first photo card. Since the bank was the first to issue a picture card and credit card it was awarded the ISO 9002 certification. Standard Chartered group has 78 branched in India. Standard Chartered Bank is the largest international banking Group in India with 78 branches in 30 cities. The Bank is having a combined customer base of 2. 5 million in retail banking and over 1200 corporate customers.

The key businesses of Standard Chartered Bank in India include consumer banking – primarily credit cards, mortgages, personal loans and wealth management and – wholesale banking, where the Bank specializes in the provision of cash management, trade, finance, treasury and custody services. Some other product innovations of Standard Chartered Bank in India include the ‘ Sapnay’ credit card, the international debit card that provides free access to over 1500 Visa ATM’s, a first in the banking industry, Mileage, an overdraft facility against the security of a car and Smart Credit.

The name is derived from Standard & Chartered. Standard Bank of British South Africa merged with Chartered Bank of India, Australia and China in 1969. STANDARD CHARTERED – STCI CAPITAL MARKETS LTD. It is a leading broking company with a pan-India presence and provides a wide range of financial services, including investment banking, Institutional equity & derivative Broking, fixed income, research, retail equity & derivative broking (offline and online), portfolio management, distribution of financial products and depository services.

STANDARD CHARTERED WEALTH MANAGERS: Standard Chartered Wealth Managers is the retail division of Standard Chartered – STCI Capital Markets Limited. The unit provides services such as broking, wealth management, MF distribution etc. On 11th January 2008 Standard Chartered Bank (Mauritius) Limited acquired 49% stake of erstwhile UTI Securities Limited from Securities Trading Corporation of India (STCI). Accordingly, the name of the Company was changed from ? UTI Securities Limited’ to ? Standard Chartered – STCI Capital Markets Limited’ with effect from Jeanery 17th, 2008.

Gururaj B H Alliance Business Academy Page 30 Analysis of online trading and Dematerialization Subsequently, on December 12, 2008, SCBM acquired further 25. 9 % stake in Standard Chartered – STCI Capital Markets Limited to increase its total stake in Standard Chartered – STCI Capital Markets Limited from 49. 0 % to 74. 9 %. 2. 6 MISSION STATEMENT: ? To emerge as one of the leading providers of stock brokerage, investment banking & related services at par with the best in the world.? 2. 7 CORE VALUES: The spirit of their identity includes the values that drive each and every one of them.

They believe these are the values you desire of your financial partner. The bank’s values guide the way they work with colleagues, customers, suppliers and other stakeholders. The values – responsive, trustworthy, creative, international and courageous- show them how they can build the culture, which will help them to achieve their business goals, and make Standard chartered a great place to work. The values reflect extensive internal, customer and market research and show how they can all be lead by example to be the right partner. Responsive: They are unparalleled on their word. They are accessible whenever and whenever the customers need them. Not only do they strive to deliver solutions, they also aim to exceed the expectations. ? Trustworthy: They respect the customer’s time and their life. By understanding the customer’s needs and tailoring the right financial solutions for them and thereby earn the trust. ? Creative: Creative thinkers are not limited by convention. They allow their minds to soar beyond predictable solutions.

That’s how they approach each challenge posed to them, which is why they base their products and services on ideas that are innovative, perspective and instinctive. Gururaj B H Alliance Business Academy Page 31 Analysis of online trading and Dematerialization ? International: They understand the balance between global and the local. The customer trusts them to be established and internationally – networked, while at the same time sensitive to their individual needs. Their strong network across cultures helps them build stronger relationships based on ideas not formulate. Courageous: The bank represents a commitment to be there for the customers in good times and bad times. They help them achieve their aspirations by guiding them towards the right choice not just the easy one. The customers: How the bank treats its customers, where they choose to operate, who they provide financial support to and how they respond to customers financial needs all have an impact on their reputation and ultimately their financial success. Understanding and responding to their customer’s needs is their basic to the way they do business.

As social, ethical and environmental issues gain prominence, it is increasingly important that they understand how their customers meet these challenges is to uphold consistent standards of conduct across the world, while still respecting the cultures , local requirements and varying business customs of the individual countries where they operate. Code of conduct: The principles that govern the behavior of their businesses and employees are reflected in a ? Group Code of Conduct’.

The Group code of conduct is a practical working document that guides employees through the many difficult issues they may run up against in their daily working lives. Complying with each element of the code will not always be easy. But they recognize that they will be judged both on their own Code and on how it is reflected in the day- to -day behavior of everyone who works within the bank. Gururaj B H Alliance Business Academy Page 32 Analysis of online trading and Dematerialization Below there are certain instances of how the Code of Conduct affects the way the bank deals with their customers.

The Code of Conduct also affects the way the employees behave and the customer can find out more about the standards SC expect them to meet. Their employees must adhere to the following to the key principles: ? Customer Identification: The identity of every customer must be established from reliable identifying documents. ? Know Your Customer: Their staff must know enough about details about their customers that can be identified at the time of the transactions are made and documents are submitted so that no inconsistency of the details while verifying is made. ? Reporting of suspicions: Suspicions transactions must e reported immediately by the employees without hesitation. Fair treatment of customers: Financial products and services are increasing sophisticated tools. Selling them calls for knowledge, skills and judgment. For the employees, the basic rules are: ? ? Do not sell an unsuitable product to a customer: That is, a product that does not meet customer’s needs. Know enough about the standard chartered products and about the customer (risk, appetite, objectives, finances and personal circumstances) to judge the effect, which the products will have, and whether they will meet his or her needs. Make every effort to ensure that the customer understands more complex products and their risks, properly. Gururaj B H Alliance Business Academy Page 33 Analysis of online trading and Dematerialization ? Explain product features clearly both face to face and in any marketing literature and software. Quality of Service: The bank’s business will only succeed if they offer the highest standards of services to their customers, retaining the loyalty and confidence of existing customers and winning the support of new ones.

The bank has set the task of improving all aspects of customers services through our ? Out serve programmed’ which was introduced in key markets in 2004 and will be extended to all other markets in 2005. The bank expects excellent customer service to be something they are renowned for. The Out serve programmed includes a range of systems that will allow measuring their performance and target areas for improvement. It will also allow them to respond in a systematic way to independent benchmarking information they used to measure us against their competitors.

Corporate Responsibilities: At the Standard Chartered they recognize that their operations have an impact on the economies, communities and on the environment and a responsibility to address this impact. They also recognize that through the business activities they can contribute to substantial development. Standard Chartered’s Approach: The group wants to be ‘ the world’s best international bank’ – leading the way in Asia, Africa and the Middle East. They see the corporate responsibility as an opportunity to make the brands stand out.

The bank puts an effort making sure that in pursuing our business goals, it identify and address the impacts it has on the stakeholders, look after the people it works with and help the communities it operates in. Over the past year, the bank has revisited these key issues and continued to develop systems and structures to manage them. The group has a strong commitment from the board and in December 2004 established a corporate responsibility committee, drawing on external advisors, executives and the non-executives leaderships to ensure that progress is made towards our Corporate Gururaj B H Alliance Business Academy Page 34

Analysis of online trading and Dematerialization Responsibility aspirations. Communicating with the stakeholders has helped the bank shape its thinking and check thinking and check that it is on the right track. In 2005 the group aimed to have published their first Corporate Responsibility Report. 2. 8 ORGANISATION STRUCTURE: Gururaj B H Alliance Business Academy Page 35 Analysis of online trading and Dematerialization Gururaj B H Alliance Business Academy Page 36 Analysis of online trading and Dematerialization 2. 9 FINANCIAL KEY PERFORMANCE INDICATORS: 1.

Total Business per employee: Total business is the aggregate of advances and deposits per employee. Table No: Showing Total Business per employee of Standard Chartered, India: Year Total Business per employee (Rs in 000′) 2005 2006 2007 2008 81, 446 85, 987 82, 666 92, 420 Percentage change in Total Business per employee 5. 54% 3. 86% 11. 17% Chart No: 2 Bar chart indicating Operating Income of the company over the years: Total Business per employee (Rs in 000) 94000 92000 90000 88000 86000 84000 82000 80000 78000 76000 74000 2005 2006 2007 2008 Total Business per employee Gururaj B H

Alliance Business Academy Page 37 Analysis of online trading and Dematerialization 2. Operating Profit: Operating profit is calculated as the sum of the net interest income, net commission income, net trading income, and other operating income, less relevant operating expenses. Table No: Showing operating profit of Standard Chartered, India: Year Operating Profit (Rs In Millions) 2005 2006 2007 2008 17. 2 20. 9 28. 4 38. 9 Percentage change in Operating profit 21. 5% 35. 8% 36. 9% Chart No: 2 Bar chart indicating Operating Income of the company over the years: Operating Income (Rs in millions) 5 40 35 30 25 20 15 10 5 0 2005 2006 2007 2008 Operating Income (Rs in millions) Gururaj B H Alliance Business Academy Page 38 Analysis of online trading and Dematerialization 3. Profit after Tax: Table No: Showing Profit after Tax of Standard Chartered, India: Year Profit after Tax (Rs In millions) 2005 2006 2007 2008 11. 07 14. 33 13. 60 17. 06 Percentage change in Profit after Tax 29. 44% – 5. 09% 25. 44% Chart No: 3 Bar chart indicating Profit after Tax of the company over the years: Profit after tax (Rs in millions) 18 16 14 12 10 8 6 4 2 0 2005 2006 2007 2008

Profit after tax (Rs in millions) Gururaj B H Alliance Business Academy Page 39 Analysis of online trading and Dematerialization 4. Profit per employee: Table No: Showing Profit per employee of Standard Chartered, India: Year Profit per employee (Rs In 000) 2005 2006 2007 2008 1797 1879 1962 2022 Percentage change in Profit per employee 4. 56% 4. 42% 3. 06% Chart No: 4 Bar chart indicating Profit per employee of the company over the years: Profit per employee (Rs in 000′) 2050 2000 1950 1900 1850 1800 1750 1700 1650 2005 2006 2007 2008 Profit per employee (Rs in 000′)

Gururaj B H Alliance Business Academy Page 40 Analysis of online trading and Dematerialization 2. 10 PRODUCTS & SERVICES OFFERED BY STANDARD CHARTERED WEALTH MANAGERS: The Product offered is broadly divided into two categories: A. Retail Products B. Wholesale Products A. Retail Products: It is further divided into three categories which are as follows: 1. Online Products: The Company deliver state-of-the-art tools, excellent customer care, affordable pricing and innovative technology, so the customers can follow their own path. The branch’s products are mainly need based. ?

Equity: In Standard Chartered Wealth Managers, the customers can place online trades for most of the stocks listed on NSE & BSE. The unit offers powerful ways to place stock orders. The offers also include Delivery based trading where in the customers can place delivery based orders for all stocks listed on NSE & BSE. ? Intra-day Trading: Execute Margin Orders up to 3 to 4 times your available funds. The same is available for select group of stocks listed on NSE & BSE. ? Acquire Now Sell Tomorrow (ANST): The customers can sell shares before they receive the same in their Demat account.

They can avail of this facility 1st and 2nd day after the buy order date. ? Derivatives: Through the trading account, the customers can pursue a wide range of Futures & Options trading strategies with speed and ease. The unit delivers the support, Gururaj B H Alliance Business Academy Page 41 Analysis of online trading and Dematerialization information and structure that quickly help them spot potential opportunities and act on them fast. ? Mutual Funds: At Standard Chartered Wealth Managers, the customers are offered access to more than 1000 mutual fund schemes from leading fund families.

These funds provide broad diversification and cover a range of investment objectives, philosophies, asset classes and risk exposures. Trades may be placed via the Internet, Interactive Voice Response (IVR) phone system or with a broker. ? IPO: Initial Public Offer presents excellent opportunities for gaining high returns on the customer’s investments in a relatively short period of time. The branch has made investing in IPOs hassle free. All that is required by an investor is ? Buying Power? and rest is at the click of a button. No paperwork or no queues are involved in the service.

The customers can get information on IPO news, forthcoming IPOs and a lot more on the official website of the unit StandardCharteredWealthManagers. com. ? Bonds: Fixed income securities can help reduce your risk within an investment portfolio while providing a steady stream of income over time. Currently the branch allows the customers to choose to invest online in GOI Bonds. If the customers are looking to diversify your portfolio, possibly improve your tax efficiency and/or reducing your risk exposure, they may want to consider making fixed income securities part of their personal investment strategy. . Distribution: Investors in India were known to have a fairly low risk appetite with majority of the savings, in traditional products such as FDs, PPF, and Postal Saving Schemes. The Gururaj B H Alliance Business Academy Page 42 Analysis of online trading and Dematerialization opening of the financial sector has given way to a host of Asset Management Companies (AMC) to offer world-class products to the Indian consumer. The financial products that are being offered in the markets today provide an opportunity to the investor to participate in the stock markets even with minimal funds.

The Company offers the following products: ? IPO: The Company has been an active player in the IPO market helping retail and HNI segment. The company was ranked among the top 10 distributors for IPOs in retail category for the year 2007- 08. It has a wide network of Business Associates spread across the length and breadth of country. A strong and trained talent pool of relationship managers has made the company one of the strongest players in retail segment. (Source: Prime Data base) ?

Mutual Funds: Mutual funds in the recent years have been very popular with investors, as it provides an opportunity to invest in the stock markets even with minimal funds. Mutual funds have generated above average returns, which makes them an attractive investment proposition. The company is a leading player in the Mutual fund distribution with Tie-ups with all major AMCs. ? Fixed Income products: Fixed income products such as GOI (RBI) Bonds, Infrastructure Bonds, NABARD Bo