UpperCrust
THE WEALTH COMPANY

NISM CERTIFICATION · COMPLETE STUDY GUIDE

NISM Series XI

Equity Sales

The broking professional's licence: markets, regulation, IPOs, trading, risk management, settlement, surveillance and client handling.

100 QUESTIONS · 120 MINUTES · PASS 50% · 9 UNITS

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ABOUT THIS GUIDE

Everything you need, in one place.

NISM Series XI certifies the people who sell and service equity trading accounts at brokerages, banks and fintechs. It focuses on what a dealer or sales executive must know: how orders are traded and risk-managed, how trades settle, what the law requires and how to handle clients.

100	120 min	50%	25% of marks
QUESTIONS	DURATION	TO PASS	NEGATIVE MARKING

Who should take this exam

Sales executives, dealers, relationship managers, remisiers and trainees at stock broking firms, bank-broking desks and fintech platforms, and compliance and operations staff.

How this guide works

1 **Read the unit overview** ▶ 2 **Study each concept card** ▶ 3 **Say the example aloud** ▶ 4 **Check the watch-outs** ▶ 5 **Take the unit mock**

Each unit opens with its exam weight, so you know where marks are. Each concept card gives the idea, a worked example, and the mistake the exam wants you to make. The same ideas power the five mock tests on the UpperCrust Academy app, which get harder one by one.

Keep this in mind

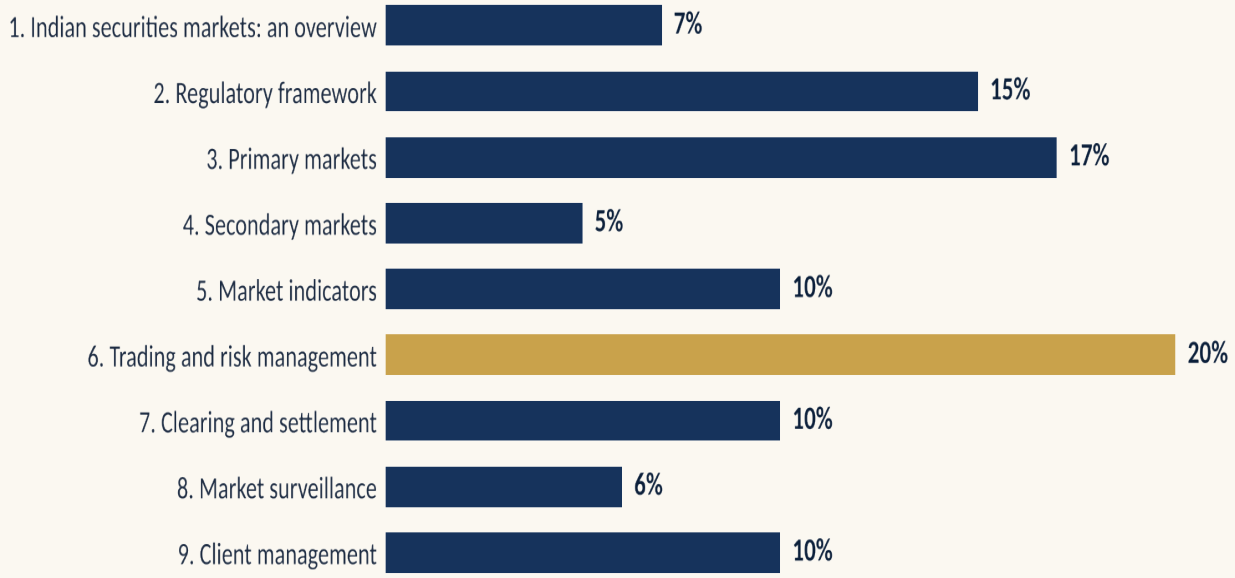
NISM revises its syllabus and workbook from time to time, and rules change by SEBI circular. This guide follows the official unit structure and weightage. Check the latest NISM workbook for any changes before your exam date.

EXAM AT A GLANCE

Structure and marks.

Item	Detail
Format	Computer-based, multiple-choice questions
Questions and marks	100 questions, 1 mark each, 100 marks
Duration	2 hours
Passing score	50 marks (50%)
Negative marking	25% of a question's marks, so 0.25 per wrong answer
Certificate validity	Three years; renew through NISM
Where it leads	Equity sales and dealing roles at stock brokers

Where the marks are



Read the chart like an examiner

Units above 10% decide most results. Master them first, then use the small units for easy marks. A unit worth 3% still supplies three marks at no extra effort once you have the concepts.

YOUR STUDY PLAN

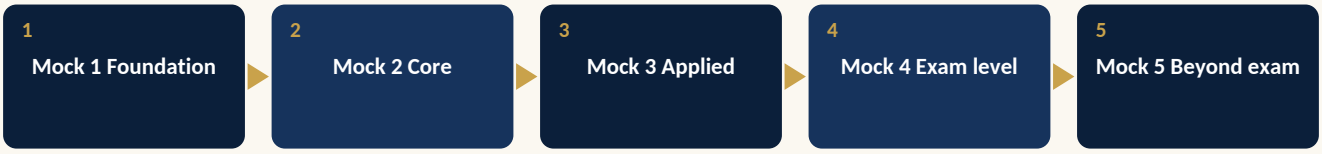
Time follows marks.

The bar shows how the exam is split across units. Spend your hours in the same proportion.



Unit	Marks	Share of study time	Suggested days
1. Indian securities markets: an overview	7	7%	1
2. Regulatory framework	15	15%	2
3. Primary markets	17	17%	2
4. Secondary markets	5	5%	1
5. Market indicators	10	10%	1
6. Trading and risk management	20	20%	3
7. Clearing and settlement	10	10%	1
8. Market surveillance	6	6%	1
9. Client management	10	10%	1
Revision and five mocks			7

The mock ladder



Take Mock 1 after your first pass through the guide. Move to the next mock only when you score 15 marks above the pass mark. Review every wrong answer in the app; each one links back to its unit.

UNIT 1 · 7% OF THE EXAM

Indian securities markets: an overview

Structure of the market, its instruments and participants.

What the exam looks for

- Primary and secondary markets.
- Exchanges, depositories, clearing corporations.

Concept cards

01

Securities

Securities include shares, bonds, units of mutual funds and derivatives, as defined in the Securities Contracts (Regulation) Act.

EXAMPLE Shares and bonds are both examples.

WATCH OUT Not true: securities include only shares.

02

Primary and secondary market

New issues take place in the primary market; trading of already issued securities occurs in the secondary market.

EXAMPLE An IPO is a primary market event while daily trading is secondary.

WATCH OUT Not true: the company receives money in secondary trades.

03

Stock exchange

A stock exchange is a recognised, regulated marketplace such as the BSE or NSE where securities trade electronically.

EXAMPLE Buyers and sellers are matched on an online system.

WATCH OUT Not true: an exchange decides the profits of companies.

04

Trading member

A trading member is a broker admitted by the exchange who can trade on the platform for clients and own account.

EXAMPLE A SEBI-registered broker with exchange membership.

WATCH OUT Not true: any investor can be a trading member.

05

Depository

Depositories like NSDL and CDSL hold securities in electronic form through participants.

EXAMPLE A client's shares are held through a depository participant.

WATCH OUT Not true: a depository is a type of stock exchange.

06

Clearing corporation

The clearing corporation guarantees and settles trades, becoming the central counterparty.

EXAMPLE It ensures delivery and payment for exchange trades.

WATCH OUT Not true: the clearing corporation executes client orders.

07

Market segments

Exchanges offer segments for cash equity, equity derivatives, currency, commodity and debt trading.

EXAMPLE A client may trade shares in cash and futures in derivatives.

WATCH OUT Not true: there is only a cash segment.

08

Retail and institutional participants

Participants include retail investors, high-net-worth individuals, mutual funds, FPIs, banks and insurers.

EXAMPLE Foreign portfolio investors and domestic mutual funds both trade.

WATCH OUT Not true: only retail investors trade on exchanges.

09

Dematerialisation

Dematerialisation converts paper certificates into electronic form, making trading and transfer faster and safer.

EXAMPLE A client's shares exist in electronic form.

WATCH OUT Not true: dematerialisation is the process of printing shares.

Unit recap · one line each

Securities · Primary and secondary market · Stock exchange · Trading member · Depository · Clearing corporation · Market segments · Retail and institutional participants · Dematerialisation

UNIT 2 · 15% OF THE EXAM

Regulatory framework

The laws and rules that apply to brokers and their clients. The most rule-heavy unit; learn exact terms.

What the exam looks for

- SEBI Act, SCRA, Depositories Act.
- Stock broker regulations and client documentation.
- Insider trading and fraud rules.
- PMLA and KYC.

Laws at a glance

Law	What it covers
SEBI Act, 1992	Creates SEBI and sets its powers
SCRA, 1956	Regulation of securities contracts and exchanges
Depositories Act, 1996	Dematerialisation and depositories
PMLA, 2002	Prevention of money laundering
Companies Act, 2013	Company law including issue of securities

Concept cards

01

SEBI

SEBI protects investors, promotes market development and regulates the securities market, with powers to make regulations, investigate and penalise.

EXAMPLE The regulator can issue circulars and levy penalties on brokers.

WATCH OUT Not true: sEBI is a stock exchange.

02

SCRA 1956

The Securities Contracts (Regulation) Act governs recognition of stock exchanges and regulates the trading of securities.

EXAMPLE The law under which exchanges are recognised.

WATCH OUT Not true: the SCRA is the law on money laundering.

03

Depositories Act 1996

This law provides the legal framework for depositories and dematerialisation of securities in India.

EXAMPLE The law behind NSDL and CDSL.

WATCH OUT Not true: the Depositories Act governs insurance companies.

04

Stock broker regulations

Brokers must be registered with SEBI, be members of an exchange, meet capital adequacy and follow a code of conduct.

EXAMPLE A broker without registration cannot deal for clients.

WATCH OUT Not true: a broker needs no registration if it is an exchange member.

05

Client registration form

Each client must sign the account opening form with mandatory documents and KYC, and the broker must give a copy of the rights and obligations.

EXAMPLE A client signs the standard form before the first trade.

WATCH OUT Not true: clients may trade before signing the form.

06

Know Your Client

KYC verifies identity and address using PAN and documents, and is mandatory for opening any trading account.

EXAMPLE A new client provides PAN, address proof and a photograph.

WATCH OUT Not true: kYC is optional for small investors.

07

Unique Client Code

The UCC is a unique code allotted to each client by the broker and mapped to the client's PAN in exchange records.

EXAMPLE Each client's trades are tagged with a code mapped to PAN.

WATCH OUT Not true: clients share one code with the broker.

08

Contract note

A broker must issue a contract note for every trade within 24 hours of execution, showing price, time, quantity and charges.

EXAMPLE A client gets a note after executing a trade.

WATCH OUT Not true: a contract note is issued at the end of the year.

09

Power of attorney

A POA authorises the broker to perform limited acts such as pledging for margin; it must not give general trading authority and misuse is prohibited.

EXAMPLE A client signs a limited authority for settlement-related acts.

WATCH OUT Not true: a POA allows brokers to trade at will for the client.

10

Running account settlement

Brokers must settle client funds and securities at regular intervals, monthly or quarterly as chosen by the client, unless the client specifies otherwise.

EXAMPLE A broker returns the unused client balance on schedule.

WATCH OUT Not true: brokers may hold client balances indefinitely.

11

Segregation of client funds

Client money and securities must be kept separate from the broker's own and cannot be used for proprietary trading.

EXAMPLE A broker keeps clients' money in a separate account.

WATCH OUT Not true: a broker may use client funds for own trades.

12

Insider trading regulations

SEBI's PIT regulations prohibit dealing in securities while in possession of unpublished price sensitive information.

EXAMPLE A broker's employee trades on a leaked merger news.

WATCH OUT Not true: insiders may trade if they trade small amounts.

13

Fraudulent and unfair trade practices

The PFUTP regulations prohibit market manipulation, misleading statements and fraud in securities dealing.

EXAMPLE Spreading false rumours to move a stock price.

WATCH OUT Not true: pFUTP regulations apply only to issuers.

14

PMLA

The Prevention of Money Laundering Act requires brokers to verify customers, maintain records and report suspicious transactions to the FIU.

EXAMPLE A broker reports an unusual cash-related pattern to the authority.

WATCH OUT Not true: brokers need not report suspicious transactions.

15

Suspicious transaction report

A broker must report suspicious transactions to the Financial Intelligence Unit when it suspects money laundering.

EXAMPLE A broker files a report on a client with unexplained large flows.

WATCH OUT Not true: the client must be told before a report is filed.

16

Investor charter

Brokers must display and share the investor charter listing investors' rights, responsibilities and grievance steps.

EXAMPLE A client receives a document describing her rights.

WATCH OUT Not true: the investor charter is for brokers' internal use.

17

Arbitration

Disputes between clients and brokers can be referred to the exchange's arbitration mechanism within the prescribed period.

EXAMPLE A client takes an unresolved dispute to arbitration.

WATCH OUT Not true: clients cannot resolve disputes through exchanges.

18

SCORES and ODR

Clients can lodge complaints with SEBI through SCORES and use the online dispute resolution platform after approaching the broker and the exchange.

EXAMPLE A client files a complaint on the regulator's portal.

WATCH OUT Not true: complaints can only be made in person.

19

Investor Protection Fund

Exchanges maintain a fund to compensate clients of defaulting brokers up to a limit.

EXAMPLE A client of a defaulting broker may claim compensation from the fund.

WATCH OUT Not true: the fund covers all trading losses.

20

Code of conduct

The code of conduct for brokers requires integrity, diligence, fair dealing and proper records, and prohibits unfair practices.

EXAMPLE A broker must not promise guaranteed profits.

WATCH OUT Not true: the code allows brokers to guarantee returns.

21

Margin trading facility

Brokers may offer margin funding under SEBI rules with disclosures, collecting margin and keeping the pledged securities in a separate account.

EXAMPLE A client buys shares by funding part with the broker's money.

WATCH OUT Not true: margin funding needs no margin from the client.

22

Authorised person

Authorised persons act on behalf of brokers for acquiring clients and facilitating trades, as registered with the exchange.

EXAMPLE An agent introduces clients to the broker.

WATCH OUT Not true: authorised persons may execute trades on their own.

23

Record retention

Brokers must maintain records of orders, trades, communications and client details for at least five years.

EXAMPLE A broker keeps the call recording of a client order.

WATCH OUT Not true: records can be deleted after a month.

Unit recap · one line each

SEBI · SCRA 1956 · Depositories Act 1996 · Stock broker regulations · Client registration form · Know Your Client · Unique Client Code · Contract note · Power of attorney · Running account settlement · Segregation of client funds · Insider trading regulations · Fraudulent and unfair trade practices · PMLA · Suspicious transaction report · Investor charter · Arbitration · SCORES and ODR · Investor Protection Fund · Code of conduct · Margin trading facility · Authorised person · Record retention

UNIT 3 · 17% OF THE EXAM

Primary markets

IPOs and other issuance routes from the broker's perspective: eligibility, process, categories and allotment.

What the exam looks for

- IPO process and categories.
- Book building and allotment.
- Rights issue, OFS, QIP, buyback.

₹2 lakh	35%	15%	50%
RETAIL LIMIT	RETAIL SHARE	NII SHARE	QIB SHARE

Quota basis

Under the standard book-building route, up to 50% goes to QIBs, at least 15% to non-institutional investors and at least 35% to retail investors, subject to SEBI's rules for each issue.

Concept cards

01

SEBI ICDR Regulations

The Issue of Capital and Disclosure Requirements Regulations govern how companies raise capital, including eligibility and disclosures.

EXAMPLE The rules that govern IPO eligibility and contents of the offer document.

WATCH OUT Not true: the ICDR regulations govern brokerage rates.

02

Initial public offer

An IPO is the first sale of shares to the public by an unlisted company, followed by listing on exchanges.

EXAMPLE A company sells shares to the public for the first time.

WATCH OUT Not true: an IPO is a sale of shares to existing shareholders only.

03

Draft offer document

The draft red herring prospectus is filed with SEBI, which examines it and issues observations before the issue is launched.

EXAMPLE A company files a draft document through a merchant banker.

WATCH OUT Not true: sEBI approves the price in the draft document.

04

Book building

In book building, investors bid within a price band and the issue price is determined based on the demand.

EXAMPLE Demand at different prices decides the final price.

WATCH OUT Not true: the price is fixed before any bids come in.

05

Price band

The price band specifies the floor and cap for bids; the cap cannot exceed 120% of the floor.

EXAMPLE Bids can be made between ₹200 and ₹240.

WATCH OUT Not true: a price band has no cap.

06

Bid lot

The minimum bid lot is the smallest number of shares that can be applied for, set so that the application value is within a prescribed range.

EXAMPLE An investor must apply for at least 50 shares.

WATCH OUT Not true: investors can bid for one share in any IPO.

07

Retail individual investor

A retail individual investor applies for shares worth up to ₹2 lakh in an issue.

EXAMPLE An investor applies for ₹1.8 lakh worth of shares.

WATCH OUT Not true: a retail investor can apply for ₹5 lakh in the retail category.

08

Non-institutional investor

NIIs apply for more than ₹2 lakh and are not QIBs, usually high-net-worth individuals and corporates.

EXAMPLE An investor bids for ₹10 lakh of shares.

WATCH OUT Not true: nIIs bid for less than ₹2 lakh.

09

Qualified institutional buyer

QIBs are institutions such as mutual funds, insurers, banks and FPIs, treated as sophisticated investors.

EXAMPLE A mutual fund bids in the QIB category.

WATCH OUT Not true: qIBs are retail individuals.

10

Anchor investor

Anchor investors are QIBs who bid a day before the issue opens for at least ₹10 crore, subject to a lock-in on their shares.

EXAMPLE Institutions are allotted shares before the public issue opens.

WATCH OUT Not true: anchor investors are small retail investors.

11

Basis of allotment

If an issue is oversubscribed, allotment is made proportionately or by lottery in the retail category, so some applicants may get nothing.

EXAMPLE A retail investor applies and receives no shares due to oversubscription.

WATCH OUT Not true: every applicant always gets the full number of shares applied.

12

UPI in IPO

Retail and certain other investors apply through UPI, where the money is blocked in the investor's account until allotment.

EXAMPLE An investor approves a mandate on her UPI app.

WATCH OUT Not true: uPI mandates debit the money immediately and never release it.

13

Listing timeline

Allotment and listing must be completed within three working days of the closure of the issue.

EXAMPLE The issue closes and shares list within a few days.

WATCH OUT Not true: listing takes place within a month.

14

Promoter contribution and lock-in

Promoters must contribute at least 20% of the post-issue capital, which is locked in for 18 months.

EXAMPLE Promoters' minimum stake is locked for a period after listing.

WATCH OUT Not true: promoters may sell their stake on the listing day.

15

Greenshoe option

A greenshoe option allows the issuer to allot extra shares up to 15% of the issue to stabilise post-listing prices.

EXAMPLE The stabilising agent can support the price after listing.

WATCH OUT Not true: a greenshoe option reduces the issue size.

16

Offer for sale

In an OFS, existing shareholders sell their shares in the issue and the company receives no proceeds.

EXAMPLE Promoters sell part of their holding through a public offer.

WATCH OUT Not true: the company receives proceeds from an OFS.

17

Rights issue

A rights issue offers existing shareholders the right to subscribe to new shares in proportion to their holding.

EXAMPLE A company offers one new share for each four held.

WATCH OUT Not true: a rights issue is offered to new investors only.

18

QIP

A Qualified Institutions Placement lets a listed company issue shares only to QIBs without a full public offering.

EXAMPLE A listed company sells shares to institutions at a price near the market.

WATCH OUT Not true: a QIP is available to retail investors.

19

Preferential issue

A preferential issue allots shares to a selected group at a price determined as per SEBI's pricing rules.

EXAMPLE A company issues shares to a strategic investor.

WATCH OUT Not true: a preferential issue is offered to all shareholders equally.

20

Buyback

A buyback is the repurchase by a company of its own shares, reducing outstanding shares, via tender offer or open market.

EXAMPLE A company repurchases shares at a premium.

WATCH OUT Not true: a buyback increases the number of shares.

21

SME IPO

SME exchanges allow smaller companies to raise money with lighter norms but with larger lots and more risk.

EXAMPLE A small firm lists on a dedicated platform.

WATCH OUT Not true: sME IPOs follow the same rules as main-board IPOs.

22

Merchant banker

A merchant banker manages the issue process, due diligence and regulatory filings, and is registered with SEBI.

EXAMPLE The lead manager of an IPO.

WATCH OUT Not true: a merchant banker is the registrar who allots shares.

23

Underwriting

An underwriter commits to subscribe to the unsubscribed portion of an issue, giving certainty to the issuer.

EXAMPLE A firm promises to take up shares not subscribed by the public.

WATCH OUT Not true: an underwriter guarantees a profit to investors.

Unit recap · one line each

SEBI ICDR Regulations · Initial public offer · Draft offer document · Book building · Price band · Bid lot · Retail individual investor · Non-institutional investor · Qualified institutional buyer · Anchor investor · Basis of allotment · UPI in IPO · Listing timeline · Promoter contribution and lock-in · Greenshoe option · Offer for sale · Rights issue · QIP · Preferential issue · Buyback · SME IPO · Merchant banker · Underwriting

UNIT 4 · 5% OF THE EXAM

Secondary markets

How the exchange market works for cash equity.

What the exam looks for

- Trading cycle and sessions.
- Market segments.

Concept cards

01

Trading session

Regular equity trading takes place from 9:15 am to 3:30 pm, preceded by a pre-open session from 9:00 am to 9:15 am.

EXAMPLE An investor places an order at 11 am on a working day.

WATCH OUT Not true: equity trading runs all night.

02

Pre-open session

The pre-open session uses a call auction between 9:00 and 9:15 am to determine opening prices.

EXAMPLE An order is placed before the market opens to discover the opening price.

WATCH OUT Not true: the pre-open session executes trades continuously.

03

Order matching

Orders are matched by price-time priority: best price first and, at the same price, earliest order first.

EXAMPLE An earlier bid at the same price is filled first.

WATCH OUT Not true: orders are matched by size alone.

04

Tick size

The tick size is the minimum price movement, generally ₹0.05 for equity shares.

EXAMPLE A price can change in steps of five paise.

WATCH OUT Not true: tick size is the number of shares in a lot.

05

Market lot

In the equity cash segment the market lot is one share, so investors can trade any quantity.

EXAMPLE An investor buys 7 shares of a company.

WATCH OUT Not true: the cash segment requires a lot of 100 shares.

06

Trading segments

Segments include normal, trade-for-trade and surveillance-restricted ones, each with different conditions on trading.

EXAMPLE A stock in a restricted segment cannot be squared off intraday.

WATCH OUT Not true: all stocks trade under the same conditions.

07

Types of trades

Trades are classified as delivery-based or intraday (squared off within the day), with different charges and margins.

EXAMPLE A client buys and sells within the day without taking delivery.

WATCH OUT Not true: intraday trades require delivery at the end of the day.

Unit recap · one line each

Trading session · Pre-open session · Order matching · Tick size · Market lot · Trading segments · Types of trades

UNIT 5 · 10% OF THE EXAM

Market indicators

Indices and signals used to read the market.

What the exam looks for

- Sensex and Nifty.
- Breadth and volatility.
- Participant flows.

Concept cards

01

Sensex

The Sensex is the BSE's 30-stock benchmark, weighted by free-float market capitalisation.

EXAMPLE An index of 30 companies on the Bombay exchange.

WATCH OUT Not true: the Sensex has 50 stocks.

02

Nifty 50

The Nifty 50 represents 50 large companies on the NSE, weighted by free-float market capitalisation.

EXAMPLE An index of 50 leading companies on the National exchange.

WATCH OUT Not true: the Nifty 50 has 30 stocks.

03

Free-float method

The free-float method counts only publicly available shares, excluding promoter holdings, to weight stocks in an index.

EXAMPLE A stock with high promoter holding gets less weight.

WATCH OUT Not true: the free-float method counts all shares.

04

Sectoral and broad indices

Sectoral indices track specific industries like banks, while broad indices such as the Nifty 500 represent the wider market.

EXAMPLE An index tracking only banks is sectoral.

WATCH OUT Not true: sectoral indices cover the whole market.

05

Market breadth

Breadth compares the number of advancing and declining stocks, showing how widespread a market move is.

EXAMPLE The index rises but declining stocks outnumber advancing ones.

WATCH OUT Not true: breadth shows the daily turnover.

06

India VIX

India VIX measures the market's expectation of near-term volatility, derived from index option prices.

EXAMPLE A rising reading indicates greater expected volatility.

WATCH OUT Not true: india VIX measures interest rates.

07

Market turnover

Turnover is the total value of securities traded in a period, showing market activity and liquidity.

EXAMPLE The day's total traded value in the cash market.

WATCH OUT Not true: turnover is the total market capitalisation.

08

FPI and DII flows

Net buying or selling by FPIs and DIIs is tracked daily as it influences market direction.

EXAMPLE Foreign investors sell heavily and the index falls.

WATCH OUT Not true: institutional flows have no effect on prices.

09

Market P/E

The index P/E divides the index's total market value by total earnings and shows whether the market is richly valued.

EXAMPLE The Nifty trades at 22 times earnings.

WATCH OUT Not true: index P/E shows the number of stocks.

10

52-week high and low

The 52-week high and low are the highest and lowest prices in the past year, used as reference for momentum and risk.

EXAMPLE A stock hits a new yearly high.

WATCH OUT Not true: 52-week high is the highest price ever.

11

Put-call ratio

The put-call ratio compares put and call volumes or open interest and is a sentiment indicator.

EXAMPLE A high ratio suggests defensive positioning.

WATCH OUT Not true: the put-call ratio measures dividends.

12

Impact cost

Impact cost is the cost of executing a standard-size order beyond the ideal price and measures liquidity.

EXAMPLE A large order moves the price against the buyer.

WATCH OUT Not true: impact cost is the brokerage charged.

13

Beta of stock

Beta shows how sensitive a stock is to market movements; above 1 is more volatile than the index.

EXAMPLE A stock moves 1.5 times the market.

WATCH OUT Not true: a beta of 1 means the stock is risk free.

Unit recap · one line each

Sensex · Nifty 50 · Free-float method · Sectoral and broad indices · Market breadth · India VIX · Market turnover · FPI and DII flows · Market P/E · 52-week high and low · Put-call ratio · Impact cost · Beta of stock

UNIT 6 · 20% OF THE EXAM

Trading and risk management

The largest unit: orders, margins and how brokers control risk. The details of margins and surveillance frequently appear.

What the exam looks for

- Order types and validity.
- Price bands and circuit filters.
- Margins and exposure limits.
- Short selling, BTST, T2T.

Margin stack



Price bands

Band	Meaning
2%, 5%, 10%, 20%	Daily limits on individual stock movement
Index circuit	Market-wide halt at 10%, 15%, 20%

Concept cards

01

Market order

A market order executes at once at the best available price and offers no control over the price.

EXAMPLE A client wants to buy right away.

WATCH OUT Not true: a market order specifies the price in advance.

02

Limit order

A limit order is executed only at the specified price or better.

EXAMPLE A buyer states a maximum price of ₹100.

WATCH OUT Not true: a limit order is always executed.

03

Stop-loss order

A stop-loss order is triggered when price hits a specified level and is meant to limit losses.

EXAMPLE An order to sell if the price falls to ₹90.

WATCH OUT Not true: a stop-loss order ensures a profit.

04

Immediate or cancel

An IOC order is executed immediately in full or part, and any unfilled portion is cancelled.

EXAMPLE An order fills partly at once and the rest is cancelled.

WATCH OUT Not true: an IOC order stays open all day.

05

Order validity

Orders can be day orders, valid until the end of the trading day, or have other validity depending on the platform.

EXAMPLE An order lapses if not executed by the close.

WATCH OUT Not true: all orders remain active for a year.

06

After-market order

An AMO is placed after market hours to be processed at the next day's open.

EXAMPLE A client places an order at night for the next morning.

WATCH OUT Not true: an AMO is executed immediately at night.

07

Price band

A price band is the maximum percentage a stock can move in a day; orders outside the band are rejected.

EXAMPLE A stock with a 5% band cannot rise 8% in a day.

WATCH OUT Not true: a price band is the minimum trade size.

08

Index circuit breaker

Market-wide circuit breakers pause trading when the benchmark index falls or rises by 10%, 15% or 20%.

EXAMPLE Trading halts when the index drops 10%.

WATCH OUT Not true: circuit breakers apply to a single client.

09

VaR margin

VaR margin is collected to cover the potential loss in a stock over a short period at a given confidence level.

EXAMPLE A margin that estimates the likely one-day loss.

WATCH OUT Not true: vaR margin is a brokerage charge.

10

Extreme loss margin

ELM is an additional margin to cover losses beyond those estimated by VaR in extreme moves.

EXAMPLE A buffer on top of the main margin.

WATCH OUT Not true: eLM replaces VaR margin.

11

Mark-to-market margin

MTM margin covers notional losses on open positions based on current prices and is collected from the client.

EXAMPLE A client whose position has fallen pays extra margin.

WATCH OUT Not true: mTM margin is collected only on profit.

12

Peak margin

Peak margin requires the client to maintain margin for the highest intraday exposure, not just end-of-day.

EXAMPLE A client must hold margin for the biggest position taken in the day.

WATCH OUT Not true: margin is calculated only at the close.

13

Exposure limit

Brokers set exposure limits for each client based on margin and risk, to control the risk of default.

EXAMPLE A client cannot take positions beyond her limit.

WATCH OUT Not true: exposure limits are the same for all clients.

14

Margin shortfall penalty

A shortfall in required margin attracts penalties from the exchange, which the broker may pass on to the client.

EXAMPLE A client fails to maintain margin and is charged.

WATCH OUT Not true: there is no penalty for a margin shortfall.

15

Trade-for-trade segment

In the trade-for-trade segment, each trade must be settled by delivery, and intraday squaring off is not allowed.

EXAMPLE A stock under restriction must be taken in delivery.

WATCH OUT Not true: in T2T, positions can be netted off in the day.

16

Additional surveillance measure

ASM places stocks under additional margins and restrictions when there is a surge in price or volume that is unusual.

EXAMPLE An exchange flags a stock after an abnormal rise.

WATCH OUT Not true: aSM is a measure to reward high volume.

17

Short selling

Short selling means selling shares one does not own, with the obligation to deliver later; naked short selling is not allowed for delivery settlement.

EXAMPLE An investor sells today expecting to buy back cheaper.

WATCH OUT Not true: short selling profits when prices rise.

18

BTST

Buy Today Sell Tomorrow lets a client sell shares the next day before they are received in demat, with associated risks of auction.

EXAMPLE A client buys today and sells tomorrow before delivery.

WATCH OUT Not true: bTST means the client must hold the shares for a month.

19

Intraday trading

Intraday trades are squared off within the same day, so no delivery is taken, and profits or losses are settled in cash.

EXAMPLE A client buys and sells within the day.

WATCH OUT Not true: intraday trades always lead to delivery.

20

Collateral and pledge

Clients pledge securities to the broker as margin through the depository, with the securities remaining in the client's demat account.

EXAMPLE A client pledges shares to get margin credit.

WATCH OUT Not true: pledged shares are transferred to the broker's name.

21

Client-level risk monitoring

Brokers monitor client positions in real time and may square off positions when margin falls below required levels.

EXAMPLE A broker closes a client's position when margin runs out.

WATCH OUT Not true: a broker cannot act without the client's call.

22

Error trade handling

Erroneous trades should be identified and handled as per exchange rules, with documentation and client communication.

EXAMPLE A trade placed at a wrong price is reviewed and corrected.

WATCH OUT Not true: brokers may ignore errors that favour them.

23

Price discovery

Price discovery is the process by which buy and sell orders interact to set the market price.

EXAMPLE The price changes as buyers and sellers place orders.

WATCH OUT Not true: the exchange sets prices by decree.

24

Auction

If a seller fails to deliver shares, an auction is conducted to buy the shares for the buyer, and the seller bears the loss.

EXAMPLE A short delivery leads to an auction.

WATCH OUT Not true: an auction happens when the buyer fails to pay.

25

Circular trading and risk

Brokers must monitor trading patterns for circular trades and other manipulative activity and report to the exchange.

EXAMPLE A broker flags matched trades between related accounts.

WATCH OUT Not true: circular trading need not be reported.

Unit recap · one line each

Market order · Limit order · Stop-loss order · Immediate or cancel · Order validity · After-market order · Price band · Index circuit breaker · VaR margin · Extreme loss margin · Mark-to-market margin · Peak margin · Exposure limit · Margin shortfall penalty · Trade-for-trade segment · Additional surveillance measure · Short selling · BTST · Intraday trading · Collateral and pledge · Client-level risk monitoring · Error trade handling · Price discovery · Auction · Circular trading and risk

UNIT 7 · 10% OF THE EXAM

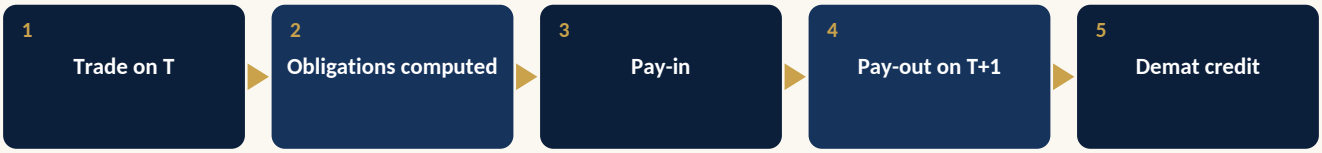
Clearing and settlement

How a trade turns into delivery and payment.

What the exam looks for

- Rolling settlement and pay-in/pay-out.
- Clearing corporation role.
- Shortages and auctions.

Settlement cycle (T+1)



Concept cards

01

Rolling settlement

In rolling settlement, trades done each day are settled after a fixed number of days, now T+1 for equity.

EXAMPLE A trade on Monday is settled on Tuesday.

WATCH OUT Not true: equity settlement takes place weekly.

02

Pay-in and pay-out

Pay-in is the delivery of securities and funds to the clearing corporation, and pay-out is the release to the buyer and seller.

EXAMPLE Sellers deliver shares and buyers pay money, and then each receives what is due.

WATCH OUT Not true: pay-out is the payment to the clearing corporation.

03

Clearing member

A clearing member settles trades with the clearing corporation for itself or others.

EXAMPLE An entity that deals with the clearing corporation for trades.

WATCH OUT Not true: a clearing member advises clients on shares.

04

Novation

Novation substitutes the clearing corporation as counterparty to each trade, guaranteeing settlement.

EXAMPLE After the trade, the buyer and seller each deal with the clearing corporation.

WATCH OUT Not true: novation ends the trade.

05

Settlement guarantee fund

The settlement guarantee fund is a pool maintained by the clearing corporation to complete settlement when a member defaults.

EXAMPLE A fund exists to complete settlements if a broker fails.

WATCH OUT Not true: the fund pays profits to clients.

06

Delivery instruction

A client instructs the depository participant to transfer shares for settlement using a delivery instruction slip or electronic authorisation.

EXAMPLE A seller authorises transfer of shares to settle her sale.

WATCH OUT Not true: delivery instructions are used to place orders.

07

Short delivery

If the seller fails to deliver, the shortage is settled through an auction or closed out at a set price.

EXAMPLE The seller does not deliver, and the exchange auctions the shares.

WATCH OUT Not true: a short delivery is cancelled with no consequences.

08

Close-out

Close-out is the compulsory settlement of a position that cannot be delivered, at a price determined by the exchange.

EXAMPLE A seller who cannot deliver sees the trade closed out at a specified price.

WATCH OUT Not true: close-out is the buyer's penalty.

09

Funds settlement

Funds are settled through clearing banks, with the clearing corporation debiting and crediting member accounts.

EXAMPLE The exchange moves funds between members' bank accounts.

WATCH OUT Not true: funds are settled only in cash at the broker's office.

10

Settlement calendar

The exchange publishes a settlement calendar, including holidays, to determine pay-in and pay-out dates.

EXAMPLE A trade near a holiday settles after the holiday.

WATCH OUT Not true: settlement dates are the same irrespective of holidays.

11

Corporate action adjustments

Settlement of trades around corporate actions follows the ex-date, with the buyer entitled only if bought before the ex-date.

EXAMPLE A buyer on the ex-date does not get the dividend.

WATCH OUT Not true: a buyer on the ex-date is entitled to the dividend.

12

Settlement default

If a member defaults, the clearing corporation uses the member's deposits and other resources to complete obligations.

EXAMPLE The member's margin is used to settle.

WATCH OUT Not true: the clients of the defaulting member always lose everything.

Unit recap · one line each

Rolling settlement · Pay-in and pay-out · Clearing member · Novation · Settlement guarantee fund · Delivery instruction · Short delivery · Close-out · Funds settlement · Settlement calendar · Corporate action adjustments · Settlement default

UNIT 8 · 6% OF THE EXAM

Market surveillance

How exchanges and brokers detect and deter market abuse.

What the exam looks for

- Types of abuse.
- Surveillance measures.
- Broker's duties.

Concept cards

01

Market manipulation

Market manipulation is any activity that artificially moves prices or volumes, such as rigging or spreading false news.

EXAMPLE A group trades among themselves to inflate a stock's volume.

WATCH OUT Not true: market manipulation is legal if the trades are small.

02

Pump and dump

In a pump and dump, promoters inflate a stock's price with hype, then sell to the public at the high.

EXAMPLE A stock is promoted by misleading messages before insiders sell.

WATCH OUT Not true: a pump and dump is a legitimate strategy.

03

Front running

Front running is trading ahead of a client's large order to profit from the expected price impact.

EXAMPLE A dealer buys for himself before executing a client's big buy order.

WATCH OUT Not true: front running is permitted if the client is not harmed.

04

Surveillance alerts

Exchanges and brokers generate alerts on unusual price, volume, client concentration or order patterns.

EXAMPLE A system flags a sudden surge in a stock's volume.

WATCH OUT Not true: surveillance covers only derivatives.

05

Graded surveillance measure

GSM places stocks with a mismatch between price and fundamentals in graded stages with restrictions on trading.

EXAMPLE A stock whose price is far above earnings is placed in a restricted stage.

WATCH OUT Not true: gSM is a reward for strong stocks.

06

Reporting obligations

Brokers must report suspicious trades and clients to the exchange and regulators and keep records of alerts and actions.

EXAMPLE A broker flags a series of suspicious trades to the exchange.

WATCH OUT Not true: brokers need not report anything about client trades.

07

Penalties for abuse

SEBI can impose monetary penalties, bar participants from the market and prosecute those involved in abuse.

EXAMPLE A manipulator is barred and fined.

WATCH OUT Not true: market abuse carries no penalty.

08

Know your client and surveillance

KYC details help the broker spot clients whose trading pattern does not match their declared profile.

EXAMPLE A student with a small income suddenly trades large amounts.

WATCH OUT Not true: kYC has no role in surveillance.

Unit recap · one line each

Market manipulation · Pump and dump · Front running · Surveillance alerts · Graded surveillance measure · Reporting obligations · Penalties for abuse · Know your client and surveillance

UNIT 9 · 10% OF THE EXAM

Client management

Dealing with clients correctly: onboarding, communication, suitability and complaints.

What the exam looks for

- Onboarding and risk profile.
- Communication and ethics.
- Complaints and records.

Concept cards

01

Client onboarding

Onboarding includes KYC, risk profiling, signing documents and explaining services, fees and risks.

EXAMPLE A new client completes forms and receives a welcome kit.

WATCH OUT Not true: onboarding is complete when the first order is placed.

02

Risk profiling

Understanding the client's income, experience and tolerance helps in providing suitable products and avoiding mis-selling.

EXAMPLE A dealer asks about a client's experience before enabling derivatives.

WATCH OUT Not true: risk profiling is optional.

03

Suitability

A dealer should recommend only products and trades suitable to the client's profile and avoid pushing high-risk trades to inexperienced clients.

EXAMPLE A dealer advises a first-time investor on the risks of leverage.

WATCH OUT Not true: a dealer should encourage maximum trading to earn brokerage.

04

Disclosures

Brokers must disclose brokerage, charges, risks, and the grievance process clearly to clients.

EXAMPLE A dealer tells the client the full list of charges.

WATCH OUT Not true: brokers may hide charges.

05

Unauthorised trading

Trading in a client's account without her instructions is prohibited and exposes the broker to penalties.

EXAMPLE A dealer places trades without asking the client.

WATCH OUT Not true: dealers may trade freely in an account with consent given once for all.

06

Churning

Churning is excessive trading in a client's account to generate brokerage rather than serving the client's needs.

EXAMPLE A dealer pushes a client to trade repeatedly for commission.

WATCH OUT Not true: churning benefits the client.

07

Confidentiality

Client information must be kept confidential and shared only with consent or as legally required.

EXAMPLE A dealer does not share a client's holdings with others.

WATCH OUT Not true: a dealer may share client data freely.

08

Complaint handling

Complaints must be recorded, acknowledged and resolved within prescribed timelines, with escalation to the exchange or SEBI if unresolved.

EXAMPLE A firm logs a complaint and responds within the time limit.

WATCH OUT Not true: complaints can be ignored if the client is wrong.

09

Dormant accounts

Accounts with no activity for a defined period are marked dormant and need re-verification before use.

EXAMPLE A client who has not traded for years must update KYC.

WATCH OUT Not true: dormant accounts are closed automatically.

10

Honest communication

Staff must not make false statements, promise returns or give tips as guaranteed outcomes.

EXAMPLE A dealer says there is no risk in a trade.

WATCH OUT Not true: a dealer may assure profits to build trust.

11

Conflict of interest

Staff must avoid conflicts, such as trading ahead of clients, and disclose any that cannot be avoided.

EXAMPLE A dealer discloses that he holds the stock he recommends.

WATCH OUT Not true: conflicts are not relevant in broking.

12

Record keeping and statements

Brokers must provide periodic statements of accounts and holdings and maintain records for the specified period.

EXAMPLE A client receives monthly statements of funds and securities.

WATCH OUT Not true: brokers need not give statements.

Unit recap · one line each

Client onboarding · Risk profiling · Suitability · Disclosures · Unauthorised trading · Churning · Confidentiality · Complaint handling · Dormant accounts · Honest communication · Conflict of interest · Record keeping and statements

QUICK REFERENCE

Numbers and formulas.

Order types

Order	Meaning
Market	Execute now at best available price
Limit	Execute only at the limit price or better
Stop-loss limit	Becomes a limit order when trigger price is hit
Stop-loss market	Becomes a market order when trigger price is hit
IOC	Execute immediately, cancel the unfilled part

Margin types

Margin	Purpose
VaR margin	Covers the likely one-day loss
Extreme loss margin	Covers losses beyond VaR
Mark-to-market margin	Covers notional losses on open positions
Ad-hoc margin	Additional margin in volatile conditions

GLOSSARY

Every term, A to Z.

Term	Meaning	Unit
52-week high and low	The 52-week high and low are the highest and lowest prices in the past year, used as reference for momentum and risk.	5
Additional surveillance measure	ASM places stocks under additional margins and restrictions when there is a surge in price or volume that is unusual.	6
After-market order	An AMO is placed after market hours to be processed at the next day's open.	6
Anchor investor	Anchor investors are QIBs who bid a day before the issue opens for at least ₹10 crore, subject to a lock-in on their shares.	3
Arbitration	Disputes between clients and brokers can be referred to the exchange's arbitration mechanism within the prescribed period.	2
Auction	If a seller fails to deliver shares, an auction is conducted to buy the shares for the buyer, and the seller bears the loss.	6
Authorised person	Authorised persons act on behalf of brokers for acquiring clients and facilitating trades, as registered with the exchange.	2
Basis of allotment	If an issue is oversubscribed, allotment is made proportionately or by lottery in the retail category, so some applicants may get nothing.	3
Beta of stock	Beta shows how sensitive a stock is to market movements; above 1 is more volatile than the index.	5
Bid lot	The minimum bid lot is the smallest number of shares that can be applied for, set so that the application value is within a prescribed range.	3
Book building	In book building, investors bid within a price band and the issue price is determined based on the demand.	3
BTST	Buy Today Sell Tomorrow lets a client sell shares the next day before they are received in demat, with associated risks of auction.	6
Buyback	A buyback is the repurchase by a company of its own shares, reducing outstanding shares, via tender offer or open market.	3
Churning	Churning is excessive trading in a client's account to generate brokerage rather than serving the client's needs.	9
Circular trading and risk	Brokers must monitor trading patterns for circular trades and other manipulative activity and report to the exchange.	6
Clearing corporation	The clearing corporation guarantees and settles trades, becoming the central counterparty.	1
Clearing member	A clearing member settles trades with the clearing corporation for itself or others.	7
Client onboarding	Onboarding includes KYC, risk profiling, signing documents and explaining services, fees and risks.	9
Client registration form	Each client must sign the account opening form with mandatory documents and KYC, and the broker must give a copy of the rights and obligations.	2
Client-level risk monitoring	Brokers monitor client positions in real time and may square off positions when margin falls below required levels.	6
Close-out	Close-out is the compulsory settlement of a position that cannot be delivered, at a price determined by the exchange.	7

Term	Meaning	Unit
Code of conduct	The code of conduct for brokers requires integrity, diligence, fair dealing and proper records, and prohibits unfair practices.	2
Collateral and pledge	Clients pledge securities to the broker as margin through the depository, with the securities remaining in the client's demat account.	6
Complaint handling	Complaints must be recorded, acknowledged and resolved within prescribed timelines, with escalation to the exchange or SEBI if unresolved.	9
Confidentiality	Client information must be kept confidential and shared only with consent or as legally required.	9
Conflict of interest	Staff must avoid conflicts, such as trading ahead of clients, and disclose any that cannot be avoided.	9
Contract note	A broker must issue a contract note for every trade within 24 hours of execution, showing price, time, quantity and charges.	2
Corporate action adjustments	Settlement of trades around corporate actions follows the ex-date, with the buyer entitled only if bought before the ex-date.	7
Delivery instruction	A client instructs the depository participant to transfer shares for settlement using a delivery instruction slip or electronic authorisation.	7
Dematerialisation	Dematerialisation converts paper certificates into electronic form, making trading and transfer faster and safer.	1
Depositories Act 1996	This law provides the legal framework for depositories and dematerialisation of securities in India.	2
Depository	Depositories like NSDL and CDSL hold securities in electronic form through participants.	1
Disclosures	Brokers must disclose brokerage, charges, risks, and the grievance process clearly to clients.	9
Dormant accounts	Accounts with no activity for a defined period are marked dormant and need re-verification before use.	9
Draft offer document	The draft red herring prospectus is filed with SEBI, which examines it and issues observations before the issue is launched.	3
Error trade handling	Erroneous trades should be identified and handled as per exchange rules, with documentation and client communication.	6
Exposure limit	Brokers set exposure limits for each client based on margin and risk, to control the risk of default.	6
Extreme loss margin	ELM is an additional margin to cover losses beyond those estimated by VaR in extreme moves.	6
FPI and DII flows	Net buying or selling by FPIs and DIIs is tracked daily as it influences market direction.	5
Fraudulent and unfair trade practices	The PFUTP regulations prohibit market manipulation, misleading statements and fraud in securities dealing.	2
Free-float method	The free-float method counts only publicly available shares, excluding promoter holdings, to weight stocks in an index.	5
Front running	Front running is trading ahead of a client's large order to profit from the expected price impact.	8
Funds settlement	Funds are settled through clearing banks, with the clearing corporation debiting and crediting member accounts.	7

Term	Meaning	Unit
Graded surveillance measure	GSM places stocks with a mismatch between price and fundamentals in graded stages with restrictions on trading.	8
Greenshoe option	A greenshoe option allows the issuer to allot extra shares up to 15% of the issue to stabilise post-listing prices.	3
Honest communication	Staff must not make false statements, promise returns or give tips as guaranteed outcomes.	9
Immediate or cancel	An IOC order is executed immediately in full or part, and any unfilled portion is cancelled.	6
Impact cost	Impact cost is the cost of executing a standard-size order beyond the ideal price and measures liquidity.	5
Index circuit breaker	Market-wide circuit breakers pause trading when the benchmark index falls or rises by 10%, 15% or 20%.	6
India VIX	India VIX measures the market's expectation of near-term volatility, derived from index option prices.	5
Initial public offer	An IPO is the first sale of shares to the public by an unlisted company, followed by listing on exchanges.	3
Insider trading regulations	SEBI's PIT regulations prohibit dealing in securities while in possession of unpublished price sensitive information.	2
Intraday trading	Intraday trades are squared off within the same day, so no delivery is taken, and profits or losses are settled in cash.	6
Investor charter	Brokers must display and share the investor charter listing investors' rights, responsibilities and grievance steps.	2
Investor Protection Fund	Exchanges maintain a fund to compensate clients of defaulting brokers up to a limit.	2
Know Your Client	KYC verifies identity and address using PAN and documents, and is mandatory for opening any trading account.	2
Know your client and surveillance	KYC details help the broker spot clients whose trading pattern does not match their declared profile.	8
Limit order	A limit order is executed only at the specified price or better.	6
Listing timeline	Allotment and listing must be completed within three working days of the closure of the issue.	3
Margin shortfall penalty	A shortfall in required margin attracts penalties from the exchange, which the broker may pass on to the client.	6
Margin trading facility	Brokers may offer margin funding under SEBI rules with disclosures, collecting margin and keeping the pledged securities in a separate account.	2
Mark-to-market margin	MTM margin covers notional losses on open positions based on current prices and is collected from the client.	6
Market breadth	Breadth compares the number of advancing and declining stocks, showing how widespread a market move is.	5
Market lot	In the equity cash segment the market lot is one share, so investors can trade any quantity.	4
Market manipulation	Market manipulation is any activity that artificially moves prices or volumes, such as rigging or spreading false news.	8
Market order	A market order executes at once at the best available price and offers no control over the price.	6

Term	Meaning	Unit
Market P/E	The index P/E divides the index's total market value by total earnings and shows whether the market is richly valued.	5
Market segments	Exchanges offer segments for cash equity, equity derivatives, currency, commodity and debt trading.	1
Market turnover	Turnover is the total value of securities traded in a period, showing market activity and liquidity.	5
Merchant banker	A merchant banker manages the issue process, due diligence and regulatory filings, and is registered with SEBI.	3
Nifty 50	The Nifty 50 represents 50 large companies on the NSE, weighted by free-float market capitalisation.	5
Non-institutional investor	NIIs apply for more than ₹2 lakh and are not QIBs, usually high-net-worth individuals and corporates.	3
Novation	Novation substitutes the clearing corporation as counterparty to each trade, guaranteeing settlement.	7
Offer for sale	In an OFS, existing shareholders sell their shares in the issue and the company receives no proceeds.	3
Order matching	Orders are matched by price-time priority: best price first and, at the same price, earliest order first.	4
Order validity	Orders can be day orders, valid until the end of the trading day, or have other validity depending on the platform.	6
Pay-in and pay-out	Pay-in is the delivery of securities and funds to the clearing corporation, and pay-out is the release to the buyer and seller.	7
Peak margin	Peak margin requires the client to maintain margin for the highest intraday exposure, not just end-of-day.	6
Penalties for abuse	SEBI can impose monetary penalties, bar participants from the market and prosecute those involved in abuse.	8
PMLA	The Prevention of Money Laundering Act requires brokers to verify customers, maintain records and report suspicious transactions to the FIU.	2
Power of attorney	A POA authorises the broker to perform limited acts such as pledging for margin; it must not give general trading authority and misuse is prohibited.	2
Pre-open session	The pre-open session uses a call auction between 9:00 and 9:15 am to determine opening prices.	4
Preferential issue	A preferential issue allots shares to a selected group at a price determined as per SEBI's pricing rules.	3
Price band	The price band specifies the floor and cap for bids; the cap cannot exceed 120% of the floor.	3
Price discovery	Price discovery is the process by which buy and sell orders interact to set the market price.	6
Primary and secondary market	New issues take place in the primary market; trading of already issued securities occurs in the secondary market.	1
Promoter contribution and lock-in	Promoters must contribute at least 20% of the post-issue capital, which is locked in for 18 months.	3

Term	Meaning	Unit
Pump and dump	In a pump and dump, promoters inflate a stock's price with hype, then sell to the public at the high.	8
Put-call ratio	The put-call ratio compares put and call volumes or open interest and is a sentiment indicator.	5
QIP	A Qualified Institutions Placement lets a listed company issue shares only to QIBs without a full public offering.	3
Qualified institutional buyer	QIBs are institutions such as mutual funds, insurers, banks and FPIs, treated as sophisticated investors.	3
Record keeping and statements	Brokers must provide periodic statements of accounts and holdings and maintain records for the specified period.	9
Record retention	Brokers must maintain records of orders, trades, communications and client details for at least five years.	2
Reporting obligations	Brokers must report suspicious trades and clients to the exchange and regulators and keep records of alerts and actions.	8
Retail and institutional participants	Participants include retail investors, high-net-worth individuals, mutual funds, FPIs, banks and insurers.	1
Retail individual investor	A retail individual investor applies for shares worth up to ₹2 lakh in an issue.	3
Rights issue	A rights issue offers existing shareholders the right to subscribe to new shares in proportion to their holding.	3
Risk profiling	Understanding the client's income, experience and tolerance helps in providing suitable products and avoiding mis-selling.	9
Rolling settlement	In rolling settlement, trades done each day are settled after a fixed number of days, now T+1 for equity.	7
Running account settlement	Brokers must settle client funds and securities at regular intervals, monthly or quarterly as chosen by the client, unless the client specifies otherwise.	2
SCORES and ODR	Clients can lodge complaints with SEBI through SCORES and use the online dispute resolution platform after approaching the broker and the exchange.	2
SCRA 1956	The Securities Contracts (Regulation) Act governs recognition of stock exchanges and regulates the trading of securities.	2
SEBI	SEBI protects investors, promotes market development and regulates the securities market, with powers to make regulations, investigate and penalise.	2
SEBI ICDR Regulations	The Issue of Capital and Disclosure Requirements Regulations govern how companies raise capital, including eligibility and disclosures.	3
Sectoral and broad indices	Sectoral indices track specific industries like banks, while broad indices such as the Nifty 500 represent the wider market.	5
Securities	Securities include shares, bonds, units of mutual funds and derivatives, as defined in the Securities Contracts (Regulation) Act.	1
Segregation of client funds	Client money and securities must be kept separate from the broker's own and cannot be used for proprietary trading.	2
Sensex	The Sensex is the BSE's 30-stock benchmark, weighted by free-float market capitalisation.	5
Settlement calendar	The exchange publishes a settlement calendar, including holidays, to determine pay-in and pay-out dates.	7

Term	Meaning	Unit
Settlement default	If a member defaults, the clearing corporation uses the member's deposits and other resources to complete obligations.	7
Settlement guarantee fund	The settlement guarantee fund is a pool maintained by the clearing corporation to complete settlement when a member defaults.	7
Short delivery	If the seller fails to deliver, the shortage is settled through an auction or closed out at a set price.	7
Short selling	Short selling means selling shares one does not own, with the obligation to deliver later; naked short selling is not allowed for delivery settlement.	6
SME IPO	SME exchanges allow smaller companies to raise money with lighter norms but with larger lots and more risk.	3
Stock broker regulations	Brokers must be registered with SEBI, be members of an exchange, meet capital adequacy and follow a code of conduct.	2
Stock exchange	A stock exchange is a recognised, regulated marketplace such as the BSE or NSE where securities trade electronically.	1
Stop-loss order	A stop-loss order is triggered when price hits a specified level and is meant to limit losses.	6
Suitability	A dealer should recommend only products and trades suitable to the client's profile and avoid pushing high-risk trades to inexperienced clients.	9
Surveillance alerts	Exchanges and brokers generate alerts on unusual price, volume, client concentration or order patterns.	8
Suspicious transaction report	A broker must report suspicious transactions to the Financial Intelligence Unit when it suspects money laundering.	2
Tick size	The tick size is the minimum price movement, generally ₹0.05 for equity shares.	4
Trade-for-trade segment	In the trade-for-trade segment, each trade must be settled by delivery, and intraday squaring off is not allowed.	6
Trading member	A trading member is a broker admitted by the exchange who can trade on the platform for clients and own account.	1
Trading segments	Segments include normal, trade-for-trade and surveillance-restricted ones, each with different conditions on trading.	4
Trading session	Regular equity trading takes place from 9:15 am to 3:30 pm, preceded by a pre-open session from 9:00 am to 9:15 am.	4
Types of trades	Trades are classified as delivery-based or intraday (squared off within the day), with different charges and margins.	4
Unauthorised trading	Trading in a client's account without her instructions is prohibited and exposes the broker to penalties.	9
Underwriting	An underwriter commits to subscribe to the unsubscribed portion of an issue, giving certainty to the issuer.	3
Unique Client Code	The UCC is a unique code allotted to each client by the broker and mapped to the client's PAN in exchange records.	2
UPI in IPO	Retail and certain other investors apply through UPI, where the money is blocked in the investor's account until allotment.	3
VaR margin	VaR margin is collected to cover the potential loss in a stock over a short period at a given confidence level.	6

FINAL STRETCH

The last seven days.

Revision checklist

- [ ] Learn the margin types and what each covers.
- [ ] Revise order types and validity.
- [ ] Revise the settlement calendar and the pay-in and pay-out steps.
- [ ] List what a broker must give a client: contract note, statements, charter.
- [ ] Take Mock 5 with negative marking.

Exam-day tips

- With negative marking, guess only after eliminating two options.
- Margin and settlement questions reward clear step-by-step order; recall the sequence.
- Look for 'shall' and 'must' in regulation questions.
- Client-handling questions have a right answer: protect the client and follow the rules.
- Keep the IPO category percentages and limits on one revision card.

Disclaimer

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