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CAPITAL MARKETS SECURITIES LAWS

Chapters Name	Dec. 2008	Jun-09	Dec. 2009	Jun-10	Dec. 2010	Jun-11	Dec. 2011	Jun-12	Dec. 2012	Jun-13	Dec. 2013	Jun-14	Dec. 2014	Jun-15	Dec. 2015	Jun-16	Dec. 2016	Total	Av-erage
PART A - CAPITAL MARKET																			
Overview of Capital Market	4		5	6	8		4	7	1	2	4		6	3	3	9		62	3.65
Capital Market Instruments	8	19	16	10	9	11	9	17	16	17	10	15	10	13	11	3		194	11.41
Credit Rating & IPO Grading	9	3		10	3	2	4	2	4	11	5	15		3	8	10	3	91	5.41
Market Infrastructure Institutions Stock Exchange Trading Mechanism	11	7	17	16	17	18	23	11	26	19	13	20	9	24	17	14	18	280	16.47
Debt market	11	1	10	11	5	13	15	10	18			5	8	3	7	4		121	7.12
Money Market		12		5		5	3	9		2	5		12	8	3	8	9	81	4.76
Mutual Funds	8		10	7	5	4	1	8	5	1	8	5	14	13	18	9	4	116	6.82
Alternative Investment Fund		5		6	8	4	3	2		7	8		8		6		3	60	3.53
Collective Investment Scheme	5	3			4	2	3		8		5	5		3		5	7	50	2.94
Resource Mobilisation in International Capital Market	5	16	22	9	23	16	7	5	13		5	5	7		2		7	145	8.53
Indian Depository Receipts	11	5		8	5	9	3	8	4	5			6			4	8	76	4.47
Foreign Portfolio Investors																			
Non-Convertible Redeemable Preference Shares																			
Real Estate Investment Trusts																	8	8	4
Infrastructure Investment Trusts																			
PART -B - SECURITIES LAW																			
Regulatory Framework Governing Stock Exchanges				1		6	3					5	4			7	6	32	1.88
Securities ans Exchange Board of India		6	2			1	2				10		5				8	36	2.12
Depositories	8	3	8		4	2	5	4	5	6	4	11	8	13		4	8	93	5.47
Listing and Delisting of Securities	16	9	17	1	14	5	14	16	6	23	5	5	14	12	6	12	4	179	10.53
Issue of Securities	16	30	7	24	26	26	37	33	43	43	25	10	4	9	22	21	20	396	23.29
Regulatory Framework Relating to Securities Market Intermediaries	15	6	7	14	12	11	7	7	7	5	9	12	4	5	14	4	12	151	8.88
Insider Trading- An Overview			1							6	5	12	12		5	12	4	57	3.35
Takeover Code- An Overview	2	2	2		3					4	9		4	14	4		9	53	3.12
Investor Protection	8	10	25	10	5	7	12	13			5	5	5	4	10			119	7

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

NOTE : Answer ALL Questions.

PART-A

1. Attempt the following questions :

(a) The redemption price of a mutual fund unit is ₹ 48 while the front-end load and back-end load charges are 2% and 3% respectively. Compute :

(i) NAV per unit and

(ii) Public offer price of the unit.

(4 marks)

(b) What are treasury bills ? A registered society bought 91 days treasury bills on August 24, 2015 which matured on October 19, 2015. The rate quoted by seller was ₹ 99.0894 per ₹ 100 face value. Calculate YTM.

(4 marks)

(c) Calculate the value of rights if :

Number of rights shares offered (n) 3,000

No. of shares held (m) 1,800

Ex-right price (P ex) ₹ 24

Right offer price (P of) ₹ 21

Face value of shares ₹ 10

(2 marks)

: 2 :

- (d) A mutual fund had repeatedly exceeded the permissible limits of transactions through its associate brokers in terms of Regulation 25(7)(a) of SEBI (Mutual Funds) Regulations. Consequently a penalty of Rupees Two lakh was imposed by Adjudicating officer of SEBI on this mutual fund.

Mutual Fund pleaded for waiver of penalty stating that the limit was not exceeded intentionally. Is this penalty justified ? Discuss in reference of relevant case.

(5 marks)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. Explain the following :

- (a) Functions of Securities Market
- (b) Disadvantages of Fund of Funds scheme
- (c) Conditions for issue of IDR
- (d) Winding up of collective investment scheme
- (e) Real Estate Mutual Fund Scheme.

(3 marks each)

OR (Alternate question to Q. No. 2)

- 2A. (i) “Investment in all categories of Alternative Investment Funds shall be subject to certain conditions.” Comment.

(5 marks)

- (ii) What are the market benefits of Hedge funds ?

(5 marks)

- (iii) What are External Commercial Borrowings (ECBs) ? Explain the various tracks and forms available under ECBs.

(5 marks)

: 3 :

3. Comment on the followings :

(a) The investment criteria for a foreign venture capital investor. (5 marks)

(b) Benefits available to a company on listing at SME Exchange. (5 marks)

(c) XYZ Limited a listed company has issued Partly convertible debentures in the past. Now it is planning for roll over of non-convertible portion of these debentures. As a company Secretary advise the conditions to be fulfilled in this regard. (5 marks)

4. (a) Distinguish between the following :

(i) Listed securities and Permitted securities

(ii) Commercial bill and Commercial paper

(iii) Foreign Direct Investment and Foreign Institutional Investment.

(3 marks each)

(b) Explain briefly the following :

(i) Indenture

(ii) Mutual fund costs

(iii) Negotiated Delivery System.

(2 marks each)

PART-B

5. Answer the following :

(a) What do you mean by 'Financial Education' ? Discuss various initiatives taken so far on Financial literacy in India. (8 marks)

(b) Briefly explain the provisions relating to delisting of equity shares under SEBI Regulations. 2009. (4 marks)

: 4 :

- (c) Discuss the various powers and functions of SEBI under SEBI Act, 1992. (4 marks)
- (d) What are the policies required to be framed under SEBI (LODR) Regulations 2015 ? (4 marks)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. Answer the following :

- (a) Success Ltd., a listed company with an authorized, issued and subscribed capital of ₹ 35 crore comprising of 3.5 crore equity shares of ₹ 10 each and a paid up capital of ₹ 34 crore decided to issue bonus shares in the ratio of 2 : 5. As a Company Secretary enumerate the steps involved in such an issue. (8 marks)

Comment on the following statements :

- (b) “Depository system provides numerous direct and indirect benefits.” (4 marks)
- (c) “Listing of securities with stock exchanges is a matter of great importance for companies and investors.” (4 marks)
- (d) “Every Institutional Buyer is qualified institutional buyer.” (4 marks)

OR (Alternate question to Q. No. 6)

6A. Write notes on the following :

- (i) Re-materialization
- (ii) Green Shoe Option
- (iii) Provisions relating to insider trading in Companies Act, 2013
- (iv) Creeping Acquisition Limit
- (v) Price and Price Band.

(4 marks each)

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Roll No.

Time allowed : 3 hours

Maximum marks : 100

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NOTE : Answer **ALL** Questions.

PART-A

1. Attempt the following questions :

- (a) ABC Ltd. a company whose equity shares are listed at BSE and NSE is seeking delisting of its equity shares from both the recognised stock exchanges. It provides an exit opportunity to all public shareholders in accordance with SEBI (Delisting of Equity Shares) Regulations, 2009. Calculate the minimum number of equity shares to be acquired for the delisting offer to be successful. Also determine the final offer price from the details given hereunder :

(i)

	Number of shares	Percentage holding
Promoter	75,00,000	75
Public	25,00,000	25
	1,00,00,000	100

- (ii) The floor price in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 is ₹ 550 per share.

: 2 :

- (iii) Assume that all the public shareholders holding shares in the demat mode had participated in the book building process as follows :

Bid Price (₹)	Number of Investors	Demand (Number of Shares)
550	5	2,50,000
565	8	4,00,000
575	10	2,00,000
585	4	4,00,000
595	6	1,20,000
600	5	1,30,000
605	3	2,10,000
610	3	1,40,000
615	3	1,50,000
620	1	5,00,000
	48	25,00,000

(5 marks)

- (B) XYZ Ltd. is proposing to make a public issue of 400 crore equity shares through the book building mechanism where 50% of the issue size is required to be allotted to Qualified Institutional Buyers. Determine the following :

- (i) The quantum available for allocation to anchor investors.
- (ii) The quantum reserved for domestic mutual funds in the anchor investor portion, if any.
- (iii) The amount, if any, required to be brought in by the anchor investors given :
- (a) The price at which allocation is made to anchor investors is ₹ 855 per share, and
- (b) The price fixed as a result of book building is ₹ 858 per share.

(5 marks)

: 3 :

(C) Describe various schemes of mutual funds according to investment objective.

(5 marks)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. Explain the following :

- (a) Sweat Equity Shares
- (b) Capital Indexed Bonds
- (c) Domestic and Offshore Hedge Fund
- (d) Exchange Trades Funds
- (e) Foreign Currency Convertible Bond (FCCB).

(3 marks each)

OR (Alternate question to Q. No. 2)

2A. (i) The partly convertible debt instruments of ABC Ltd. are listed on BSE and NSE. ABC Ltd. is contemplating the roll over of the non convertible portion of the partly convertible debt instruments. As a company secretary of ABC Ltd. prepare a board note highlighting the conditions to be complied with by ABC Ltd. in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

(5 marks)

(ii) Write a note on the Straight Through Processing Mechanism.

(5 marks)

(iii) What is the eligibility criteria for securing the different categories of membership within IOSCO ? Describe.

(5 marks)

: 4 :

3. (a) “Financial instruments that are used for raising capital resources are affected by the preference factors for choosing and it is different for issuers and for investor.” Explain briefly and also classify the instruments. (5 marks)
- (b) “The rating methodology for non-banking financial services companies and rating of manufacturing companies are based on different model and factors.” Explain. (5 marks)
- (c) “Securities Lending and Borrowing describes the market practice whereby securities are temporarily transferred by one party (the lender) to another (the borrower) via an approved intermediary”. Enumerate. (5 marks)
4. (a) The Surveillance department of the recognised stock exchange uses various tools to detect potential market abuses at a nascent stage in order to promote market integrity. In the light of this statement define the term market abuse. Also, list down the various surveillance actions initiated by the department to control market abuse. (8 marks)
- (b) Who is the sponsor of a Real Estate Investment Trust ? What are the provisions with respect to the holding of units by the sponsor in the REIT ? Describe. (7 marks)

PART-B

5. Answer the following :
- (a) SEBI in exercise of the powers conferred by Section 31 read with Section 21A of the Securities Contracts (Regulation) Act, 1956, Section 30, Sub-section (1) of Section 11 and Sub-section (2) of Section 11A of SEBI Act, 1992 made the SEBI (Delisting of Equity Shares) Regulations 2009. Explain the framework and complete process of delisting as per regulations. (8 marks)

: 5 :

(b) XYZ Ltd. made a public issue of equity shares in September, 2014 and sought listing of BSE and NSE. Soon, thereafter, the promoters of the company started contemplating a change in the objects clause mentioned in the prospectus. To give effect to the same the company convened an extra-ordinary general meeting of shareholders in November 2015. Though the resolution was passed by the company there were nevertheless, the dissenting shareholders too. The promoters decide to provide an exit opportunity to the dissenting shareholders. In the light of the above, answer the following questions :

- (i) Is this act of the promoters justified ? Highlight the relevant regulatory legal framework for the same ?
- (ii) Who are the dissenting shareholders ?
- (iii) Enumerate the conditions required to be complied with to give effect to this recourse which was availed by the promoters.

(6 marks)

(c) Trading plan is an exception to the general rule that an insider should not trade when in possession of unpublished price sensitive information. However, trading plan once made cannot be revoked. Do you agree ? If yes, give reasons for the same.

(6 marks)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. Critically examine the following :

- (a) An open offer for acquiring shares in the target company once made cannot be withdrawn.
- (b) ETFs are a rapidly growing class of financial products.
- (c) A listed entity shall not be allowed to change its name more than once.
- (d) Warrant cannot be issued along with public issue or right issue of specified securities.

(5 marks each)

OR (Alternate question to Q. No. 6)

6A. Write notes on the following :

- (i) Offshore Derivative Instruments
- (ii) Nominated Investor
- (iii) Institutional Placement Programme
- (iv) Designated Depository Participant (DDP)
- (v) Syndicate Member.

(4 marks each)

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Roll No.

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Maximum marks : 100

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NOTE : Answer ALL Questions.

PART-A

1. Attempt the following questions :

(a) Earnings per share of Alxa Piston Ltd. expected at the end of the year 2015-2016 is ₹ 18. The earnings per share in the year 2014-2015 is ₹ 16. The required rate of return is 25% p.a. and the dividend pay-out ratio is 30% which is expected to remain constant. If the earnings are expected to grow at the historical growth rate, compute the value of the share of the company at the beginning of 2015-2016.

(4 marks)

(b) Narender purchased a bond with face value of ₹ 1,000 for ₹ 950. The coupon rate on the bond is 12%. If he sells the bond one year later for ₹ 960. Compute the holding period return for Narender.

(3 marks)

(c) The following is the information pertaining to the portfolio of Dolex Mutual Fund :

Stock	No. of Shares	Current Market Price (₹)
L&T	1,10,000	2,685.45
Cipla	3,12,000	259.95
Wipro	4,50,000	523.10
HDFC	3,90,000	883.30
Tata Steel	2,99,000	502.75

The fund has not borrowed any money, but its accrued management fee with the portfolio manager currently total ₹ 30,00,000. The number of units outstanding is 10,75,73,000. Compute the value of the portfolio and NAV.

(4 marks)

: 2 :

(d) Blue Line Shoe Company is contemplating a debenture issue on the following terms :

Face Value	₹ 1,000
Term to Maturity	7 years
Coupon Rate of Interest :	
Years 1-2	10% p.a.
3-4	12% p.a.
5-7	15% p.a.

The current market rate of interest on similar debentures is 15% p.a. The company proposes to price the issue so as to yield a (compounded) return of 16% p.a. to the investors. The debentures would be redeemed at a premium of 12% at the end of seven years. Compute the maturity price of the debentures.

(4 marks)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. Explain the following :

- (a) Tracking Stocks
- (b) Option Contract
- (c) Futures
- (d) Hedge Funds
- (e) Global Depository Receipts.

(3 marks each)

OR (Alternate question to Q. No. 2)

2A. (i) What do you understand by “Application Supported by Blocked Amount (ASBA)” ? How does it work in Initial Public Offer (IPO) ? Describe.

(5 marks)

(ii) Securities Exchange Board of India (SEBI) permitted all classes of investors to short sell subject to the broad framework specified. Enumerate the broad framework for short selling.

(5 marks)

: 3 :

- (iii) An issuer may list its debt securities issued on private placement basis on a recognised stock exchange subject to specified conditions as per SEBI (Issue and Listing of Debt Securities) Regulations, 2008. Explain those conditions. (5 marks)
3. (a) Money market instruments mainly include government securities, securities issued by banking sector and securities issued by private sector. Briefly explain various instruments. (5 marks)
- (b) SEBI has classified Alternative Investment Fund (AIF) into three broad categories i.e. Category I, Category II and Category III. Discuss key features of AIF categories. (5 marks)
- (c) Indian companies are allowed to raise equity capital in the international market through the issue of ADR/GDR/FCCB/FCEB. Briefly discuss the regulatory framework of ADR & GDR in India. (5 marks)
4. (a) Discuss the procedure for making an issue of Indian Depository Receipts under Rule 13 of the Companies (Registration of Foreign Companies) Rules, 2014. (8 marks)
- (b) “The judgement is qualitative in nature and the role of the quantitative analysis is to help make the best possible overall qualitative judgement or opinion. The reliability of the rating depends on the validity of the criteria and the quality of analysis.” Discuss the statement in context of SEBI (Credit Rating Agencies) Regulations, 1999. (7 marks)

PART-B

5. Answer the following :
- (a) “SEBI has been established with objective of protecting the interest of investors and to promote the development of and to regulate the securities market (SEBI Act, 1992)”. Discuss its composition and initiatives taken by SEBI for development and regulation of securities market. (8 marks)
- (b) “A company can raise funds from the primary market through different methods, different types of issues and by means of offer document and red herring prospectus”. Enumerate. (6 marks)

: 4 :

- (c) “The book building process is very transparent. All investors including small investors can see on an hourly basis where the book is being built before applying”. Explain the offer to public through Book Building Process.

(6 marks)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (a) “Right issue as identified in the SEBI Regulations is an issue of capital under Section 62 of the Companies Act, 2013 to be offered to the existing shareholders of the company through a letter of offer”. Enumerate the steps involved in issue and listing of rights shares.
(8 marks)
- (b) “SEBI Complaints Redress System (SCORES) is efficient system of investor grievance redressal mechanism of SEBI”. Discuss the statement and salient features of SCORES.
(6 marks)
- (c) Each registered intermediary should adopt written procedures to implement the anti-money laundering provisions as envisaged under the Anti Money Laundering Act, 2002. Explain the obligations of intermediaries under prevention of Money Laundering Act, 2002.
(6 marks)

OR (Alternate question to Q. No. 6)

6A. Write notes on the following :

- (i) Concurrent Audit
(ii) Models of Depository
(iii) Fast Track Issue
(iv) Portfolio Managers and Custodian
(v) Registrar and Share Transfer Agents.

(4 marks each)

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