



## Present Scenario of Trading Department, Back-Office Department & Depository System in Stock Broking Industry in India – Special Reference to Jainam Share Consultant Pvt. Ltd

**Mr. Shivam.N. Shah**

M.B.A, M.Com, M.A(Economics), NET(Management), D.E.I.M, NCFM of capital market & Derivative market, NISM of currency derivatives & Mutual Fund, Asst. Professor Udhna Citizen Commerce College & S.P.B. College of Business Administration & Udhna Academy College of Computer Application and Information Technology

**Dr. Dhaval Maheta**

Ph.D., MBA, B.E. (Production), P.G.D.R.M., Qualified – NET, Asst. Professor, Department of Business & Industrial Management, DBIM, Sural

**ABSTRACT**

The stock market is the market in which shares of publicly held companies are issued and traded either through exchanges or over-the-counter markets. Also known as the equity market, the stock market is one of the most vital components of a free-market economy, as it provides companies with access to capital in exchange for giving investors a slice of ownership in the company. The stock market makes it possible to grow small initial sums of money into large ones, and to become wealthy without taking the risk of starting a business or making the sacrifices that often accompany a high-paying career. In this research paper I am trying to get information of Present scenario of Trading department, Back-office department & Depository system in stock broking industry in India – special reference to Jainam Share Consultant Pvt. Ltd

**KEYWORDS**

**Introduction**

Jainam Share Consultants Pvt. Ltd. was incorporated on November 10, 2003 & is mainly carrying on the broking business in the equity market. The company has acquired memberships of the two major stock exchanges of India viz. National Stock Exchange of India Ltd.(NSE) & Bombay Stock Exchange Ltd. (BSE). The company is also registered as a Depository Participant (DP) with Central Depository Services (I) Ltd. (CDSL). Jainam Share Consultant Pvt. Ltd. Has different department likes other firms. It has mainly three departments which are as follows:

- Trading department
- Back-office department
- DP department

**Trading Department Introduction**

It is the duty of broker to provide service of collecting funds and securities from the investors and send it to clearing house respectively for this an account is to be opened i.e. Trading Account. According to SEBI investor has to open trading account, investor can open an account in any depository but investor should not be partnership firm or proprietorship firm.

**Trading department is again divided into three parts:**

1. Pre-trading
2. Trading
3. Post-trading

**(1) Pre-trading department**

Any person who wants to open an trading account first of all pre-trading activity is done which include:

- Account opening
- Deposits

- Complain

**Opening Procedure**

1. First client will ask for opening trading account
2. The broker give proof details and client will have to fill up form and submit to broker with documents required
3. Collection of form from the client
4. Checking of the form
5. Scanning of the form
6. This form will be dispatch to Head Office
7. branch will have collection of code by E-mail or manually.
8. Now head office informs client or sub-broker through phone or E-mail about Internet Id.
9. Now Client will be able to trade through accessing website or application software

**Closing procedure**

1. First client will give written request for closing an account
2. Then this request is forwarded to Head Office
3. Head office will inform branch that account has been closed and whole procedure about closing will be completed at Head office
4. Broker will inform client about closing of account

**Deposits:**

Cash market	Minimum Rs. 5000
Intra-day	Rs. 10000 with E – Broking service

**Retail client:  
Sub-broker:**

For one segment	Rs. 1,00,000 Cash or Shares(flexible)
For all five segment	Rs. 3,50,000 if clients want V-SAT which includes installation, transportation charges etc.

**Complaints**

**Part -A Demat (photo proof)**

- Pan card
- Driving license
- Election card
- Bank Attestation/Verification

**Part - B (Residence proof)**

- Bank passbook
- Ration card
- Electric Bill
- Telephone Bill
- LIC policy
- Blank cancelled cheque without signature

**Trading Account proof**

Following are the proof required for opening trading account.

- Client master copy (DP proof)
- Pan card for photo proof/form-60
- Any one from Part-A
- Any one from Part-B

**(2) Trading department**

After pre-trading next comes trading which include:



- Dealing room
- Sauda punching
- Confirmation

**Dealing Room**

Dealing room is the place where dealing of various securities are done which include:

- NSE Cash
- BSE Cash
- NSE Derivatives

**TRADING IN NSE, BSE AND DERIVATIVES**



**(3) Post Trading**

- Payout process
- Bills
- Pay-in-process
- Contract note

**Introduction**

After completion of trading the further process is done through this department. It handles two processes which are known as pay-in and pay-out process. Further description is given below.

**Pay-Out-Process**

When transaction is done between the two members of same DP then it is called internal pay out process, but it can be known only after 4 o'clock when trading gets over. It can be known that whether the transaction is done internally or not. Otherwise all the transactions are done through only. Now if the situation arises in which one of the member of DP has sold a definite quantity of shares, but against which no one has purchased the same amount of quantity of shares belonging to same company then the whole lot will go to the exchange. On the other hand if one of the parties has bought comparatively less quantity than sold by another party then it is called shortfall of shares.

Now let us understand the above concept with the help of a practical example. Suppose, one of the members of Jainam-in RAJKOT has sold 700 shares of Reliance Ltd., but against which member of Jainamat Mumbai branch has purchased only 300 shares of the same company then it is called SHORT-FALL. Now, after the closing of trading activity (i.e. after 4 o'clock) Exchange will prepare a shortfall report & this will be directly sent to H.O.Now, department will prepare a summary from the report. After that if DP has access then dealing will be done internally otherwise auction will be done by exchange in which exchange will purchase or sell shortfall of shares from the market. Payout process mainly indicate access amount to be paid by DP i.e. when purchase of share is comparatively higher than selling.

**Bills**

In the same way JainamHO will prepare bill of clients name and this will be send to the respective branches to different places and now branches would be dispatching to their respective clients.

**Pay In Process**

Now if we look from the other side the same concept, then it is called Pay In Process. In this process if selling is done comparatively higher than purchase, then DP will earn i.e. DP will get relatively more amount against which it has to pay fewer amounts. In both the transaction i.e. pay in and Pay out transaction the payment will be done through cheques only.

**Contract note**

Contract note is a confirmation of trades done on a particular day for and on behalf of client. Jainamshall issue a contract note to his client for trades (purchase/sale of securities) executed with all details as required therein to be filled in (refer to SEBI circular no. SMD/SED/CIR/23321 dated June 8, 2005). A contract note shall be issued to a client within 24 hours of the execution of the contract duly signed by the TM or his authorized signatory or client attorney.

**Back Office Department**

- Finace department
- Marketing department
- Human Resource department
- Risk management department

**DP Department:**

**Depository – An Organization**

A depository is an organization where the securities of investors are held in electronic form. Investors open an account in the depository system through a Depository Participant and

hold securities in that account. There are two depositories in India which are National Securities Depository Ltd. (NSDL) and Central Depository Service Ltd.(CDSL).

Depository system is quite similar to a banking system. If an investor wants to utilize the service offered by a depository, he/she has to open an account with the depository through a DEPOSITORY PARTICIPANT. This can be compared to the opening of an account with any of the branches of a bank in order to utilize the services of the bank. Holding securities in Depository is now a normal practice across the world. All depositories operate under country's specific rules and regulations to assure safety, liquidity and right/liability.

#### ROLE OF DP

- A depository is an organization firm to provide electronic depository facilities for securities traded. Securities are then held in the electronic form through the medium of DP. The NSDL is the first depository of India. The functions of NSDL are regulated by the Securities and Exchange control board of India (SEBI).
- The Depository is not just another custodian. The Depository can legally transfer beneficial ownership, which a custodian can not. The chief objective of a depository is to reduce risk by minimizing the paper work involved in trading, settlement and transferring securities.
- To utilize the services offered by a depository, you must open an account with the depository through a DP. The DPs are the link between the shareholders and the company and NSDL.
- Banks, financial institutions custodians and stock brokers can become DPs subject to their meeting certain requirement prescribed by NSDL and SEBI. NSDL publishes the list of DPs registered with them from time to time.
- The DP will provide you with a passbook or statement of account periodically to inform you on your holdings.

#### types of depository Account

To avail the various services offered by CDSL an investor or a broker or an approved intermediary has to open a CDSL depository account.

#### Depository accounts are three types:

##### Beneficiary Account:

An investor or a broker who wants to hold shares on dematerialized form and undertake script less trading must have depository account called Beneficial Owner account (BO) with a DP of his choice.

##### Clearing Member Account:

Member brokers of the stock exchange which have established electronic connectivity with CDSL need to open a clearing member account with a DP of his choice to clear and settle trades in the Demat form. This account is meant to transfer shares and receive shares for the clearing corporation/house. Hence, the member broker does not have any ownership rights over the shares running held in such n account.

##### Intermediary Account:

Any person desiring to act as an approved intermediary account with any DP office choice. An intermediary account may be open with the DP only after the intermediary has obtained registration from Securities and Exchange board of India and with the prior approval of the CDSL. This account is meant only to deposit the securities receive from the lender and borrowing scheme. The intermediary does not have any ownership right over the shares held in such account.

#### Procedure for opening Demat account

An investor who wants to hold securities in the electronic form in a depository system should open an account with a participant with following procedure:

- The participant will make available the relevant account opening form (depending upon whether the client is a retail investor or corporate client or clearing member)

and specify the relevant list of documents regarding references that should be submitted along with the form. It will also give copy of the relevant agreement, to be entered with the client, in duplicate.

- The client will submit the duly filled in an account opening form. It should also furnish such documents regarding references, as specified electronic form in by the participant, along with the account opening form.
- The Jainamwill verify that the account opening is duly filled in. It will also verify the enclosed documents, if any. Uncompleted forms will be forwarded to the client for rectification.
- The authorized signatories are enclosed.
- In case the documents are not proper, the form will be rejected and intimated the client of the same, stating the reasons for doing so. The copy of the agreement submitted by the client is destroyed.
- If the form is in order, the Jainamwill accept the same and give an acknowledge slip duly signed and stamped, to the client. The Jainamwill execute the agreement and give a copy of it to the client.
- The Jainamwill give a copy of the report listing the client details captured in the DPM database to the client. The report will be generated by DPM.
- Finally, JAINAM dispatch Demat account kit to the client by courier.

#### WEBSITES REFERED

1. [http://en.wikipedia.org/wiki/Deposit\\_account](http://en.wikipedia.org/wiki/Deposit_account)
2. [http://en.wikipedia.org/wiki/Gold\\_as\\_an\\_investment](http://en.wikipedia.org/wiki/Gold_as_an_investment)
3. <http://en.wikipedia.org/wiki/Equities>
4. [http://en.wikipedia.org/wiki/Mutual\\_funds](http://en.wikipedia.org/wiki/Mutual_funds)
5. <http://en.wikipedia.org/wiki/Insurence>
6. [http://en.wikipedia.org/wiki/Real\\_estate](http://en.wikipedia.org/wiki/Real_estate)
7. [http://en.wikipedia.org/wiki/Government\\_securities](http://en.wikipedia.org/wiki/Government_securities)
8. <http://en.wikipedia.org/w/index.php?title=Special:Search&search=bonds+and+debenhams&ns0=1&redirs=0>
9. [http://www.JAINAMbroking.com/About\\_Us/company.aspx](http://www.JAINAMbroking.com/About_Us/company.aspx)
10. <http://www.nseindia.com>
11. <http://www.bseindia.com/about/introbse.asp>
12. [http://findarticles.com/p/articles/mi\\_qa5483/is\\_200910/ai\\_n52371405/?tag=content;col](http://findarticles.com/p/articles/mi_qa5483/is_200910/ai_n52371405/?tag=content;col)
13. [http://www.tax4india.com/investment-in-india/emerging-investment\\_avenues.html](http://www.tax4india.com/investment-in-india/emerging-investment_avenues.html)
14. Stock Market <http://www.investopedia.com/terms/s/stockmarket.asp#ixzz4KUcy5Y3u>

#### BOOKS REFERED

15. Business Research Methodology J.K. Sachdeva Himalaya Publishing House.
16. Investment Management by V.K.Bhalla