

X IFM Ans.Key Assignment 3,2023

1Ans: There are two depositories in India which provide de materialisation of security The National Securities Depository Limited and Central Depository Services Limited.

2 Ans:ISIN -International Securities Identification Number

FCRA-Forward Contracts Regulation Act

3Ans: call give the buyer the right but not the obligation to buy a given quantity of the underlying asset at a given price on or before a given future date .

puts give the buyer the right but not the obligation to sell a given quantity of underlying asset at a given price on or before given future date.

4Ans :Bank:

Holds funds In a account

transfer funds between accounts on the instruction of the account holder .

facilitates transfers without having to handle money

facilitates safe keeping of money .

Depository :

Holds securities in an account

transfer securities between accounts on the instruction of the account holder.

Facilitates transfer of ownership without having to handles securities.

Facilities safe keeping of shares

5 Ans: The benefits of participation in depository are

immediate transfer of securities

no stamp duty on transfer of securities.

elimination of risk associated with physical certificate such as bad delivery. fake security etc.

reduction in paper work involved in transfer of security

reduction in transaction cost

Ease of nomination facility.

convenient method of consolidation of accounts.

6 Ans: in the case of financial derivatives most of these contracts are cash settled. Even in the case of physical settlements financial assets are not bulky and don't need special facility for storage due to the bulky nature of the underlying assets ,physical settlement in commodity derivative creates the need for ware housing .similarly the concept of varying quality of asset does not really exist as far as financial

underlying are concerned. However in the case of commodities the quality of the asset underlying a contract can vary at times.

7 Ans: In order to dematerialise physical securities one has to fill in a demat request form which is available with the DP and submit the same along with physical certificate one wishes to dematerialise. Separate DRF has to be filled for each ISIN number.

8 Ans : A Custodian is basically an organisation which helps register and safe guard the securities of its clients. Besides safeguarding securities a custodian also keeps track of corporate actions on behalf of its clients.