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Categories of Merchant Bankers

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Merchant bankers were divided into the following four groups by the Securities Exchange Board of India:

1. Advisors, issue managers, consultants, portfolio managers, and underwriters fall under category I.
2. Consultants, advisers, portfolio managers, and underwriters in category II.
3. Category-III Consultant, underwriter, and advisor only.
4. Category-IV Advisers or consultants for capital issues.

Due to the aforementioned restrictions, only merchant bankers listed under Category-I may serve as an issue's lead managers. However, as of December 9, 1997, all other categories were eliminated, and as a result, merchant bankers may only be registered with SEBI under Category-I.

Norms for Capital Adequacy

In order for merchant bankers to register under the different categories, the Securities Exchange Board of India has established capital adequacy standards. The minimum net worth requirement for Category-I merchant bankers was first established by SEBI at Rs. 1 crore, and it was subsequently increased to Rs. 5 crores via a 1995 rule change.

Additional rules in the SEBI Regulations of 1992

Several more rules have been established by SEBI and must be followed. These include: submitting to SEBI the financial papers' half-yearly unaudited results. The appointment of a compliance officer is required. An officer may be sent by SEBI to check documents, books, etc. An authorization fee, followed by yearly or renewal fees, may be collected by SEBI. Lead managers are subject to a minimum underwriting commitment of 5% of the issue's size or Rs. 25 lakh, whichever is less [1], [2].

Merchant Banker's Code of Conduct

Like all other professions, merchant banking is a profession, hence merchant bankers are expected to adhere to a rigid code of behavior. According to the merchant bankers' code of conduct, a merchant banker must:

1. To the best of his ability, defend the interests of the investors
2. Engage in business with the utmost respect, honesty, and fairness
3. Respectfully and morally carry out all duties
4. Refrain from treating customers unfairly
5. Ensure that all investors have access to the essential documentation, such as the letter of offer and prospectus, at the time the securities are issued.
6. Give consumers advice in the most effective manner you can
7. Inform customers of any legal action the Securities Exchange Board of India has taken against them.
8. Any legal actions that have been started against him or her should be reported to SEBI.
9. To regulate internal activities, create an internal code of conduct.
10. Make sure that everyone who works with them has the necessary skills to be a merchant banker.
11. be liable for any actions performed by its representatives and employees
12. not establishing fake markets
13. Observe the Securities Exchange Board of India Regulations, 1992, as precisely as possible.

Merchant Bankers' Function

Raising Money

In order to raise capital, merchant bankers assist their customers by assisting with the issuance of debentures, shares, bank loans, etc. They have access to both home and foreign markets. This approach of raising money may be used to launch a new project or company or even to expand and modernize an already existing one.

Promotional Endeavors

In India, merchant bankers act as industrial venture promoters. They assist business owners with concept generation, project identification, feasibility study writing, obtaining government clearances and incentives, etc. Sometimes, merchant bankers may also help with joint ventures and financial and technological cooperation [3], [4].

Stock Exchange Brokers

On behalf of their customers, merchant bankers purchase and sell shares on the stock market. Additionally, they do stock share research and provide their customers advice on which shares to buy, when to buy them, in what amount, and at what point to sell them. Large brokers, investment banks, venture capitalists, and merchant banking services are all provided by mutual funds.

Project Administration

Merchant bankers assist customers in the project management process in a variety of ways. They provide guidance on a variety of topics, including where to locate the project, how to write a project report, how to conduct feasibility studies, how to plan for the project's financing and find sources of funding, and information on government incentives and concessions.

Advice on growth and modernization

Merchant bankers provide advice on business expansion, technological advancement, joint ventures, overseas collaborations, amalgamations, mergers, acquisitions, takeovers, etc.

1. Dealing with public issues.
2. In the procedure outlined above, they provide the following services.
3. The timing of the media scandal.
4. The scope of the problem.
5. The cost of the problem.
6. Operating in the role of management with regard to the problem.
7. Helping to receive applications and distribute securities.
8. Appointment of the issue's underwriters and brokers.
9. The shares being listed on the applicable stock market.

When the FERA was first implemented, merchant bankers were primarily responsible for handling new public issuance of corporate securities from both domestic and international corporations, including newly founded and established businesses. They took on the role of issue sponsors here. The Capital Issues Controller grants them authorization. They also provide a number of other services to ensure the success of the marketing of securities. The prospectus preparation, underwriting arrangements, appointment of registrars, bankers, and brokers to the issue, planning of advertising and publicity, compliance with the listing requirements of the various stock exchanges, etc. are some of the services offered. A merchant banker serves as an expert on the conditions, nature, and timing of the offerings of corporate securities, makes them suitable for investors, and grants issuing corporations freedom and flexibility.

Financial Syndication

A merchant banker offers specialized services throughout the project's planning phases, including completing the loan applications needed to get both short- and long-term finance from different banks and financial organizations. They assist in collecting money overseas and addressing Euro-related concerns [5].

Managing Obtaining Government Approval for Industrial Projects

A merchant banker takes care of all the necessary paperwork for his or her customer to get government approval for company expansion, modernization, and startup.

Special Help for Business Owners and Small Businesses

A merchant banker gives entrepreneurs and small businesses advice on the presence and availability of business possibilities, concessions, incentives, and government regulations and assists them in fully using these options when they become available.

Assistance to PSUS

To public sector organizations, units, and their public utilities, merchant bankers provide a wide range of services. They help with capital raising, securities marketing, international cooperation, and securing long-term financing from lending institutions.

Bringing Back Sick Units

A merchant bank aids in the revival of failing industrial facilities. They bargain with a number of organizations, including banks, long-term lenders, and the Board for Industrial and Financial Reconstruction. They also organize and carry out whole revival programs.

Maintenance of Ill Units' Portfolios

Investors and firms that issue the securities may both take use of merchant bankers' resurrection services. These bankers provide investment advice to their customers, who are often institutional investors. To provide clients services for portfolio management, they acquire and sell stocks. Some of these bankers run both domestic and foreign mutual funds.

Corporate Reorganization

These services provided by merchant bankers include disinvestment, unit sales, mergers, and acquisitions. These processes call for appropriate discussions, meticulous document preparation, and the conclusion of drawn-out legal requirements. On behalf of their customers, merchant bankers handle all of these processes [6].

Money-Market Activities

A merchant bank works with and underwrites instruments for short-term financing such as:

1. Government securities.
2. issued by banks and other financial entities, certificates of deposit.
3. Commercial paper émis by multinational corporations.
4. government-issued treasury bills.

Services for Leasing and Financing

Leasing and financing services are supported by merchant banks as well. A lease is a legal agreement that exists between a lessor and a lessee that allows the lessor to provide the lessee access to a certain asset of theirs for a predetermined amount of time. The lessor levies a fee known as rentals in addition to other fees. Customers may get financing and leasing options from a number of merchant bankers. In order to help entrepreneurs, several banks also own venture capital funds. Additionally, these banks assist businesses in obtaining funding via public deposits.

Service Problems

In addition to serving as registrars and transfer agents for debt securities, merchant bankers now also serve in these roles. By doing this, they keep track of the shareholders' and debenture holders' registrations and organize the distribution of any due dividends and/or interest.

Control Over Dividend and Interest Payments

The management of interest on loans or debentures, as well as the dividend on shares, is something that merchant banks assist their customers with. In addition, they provide the customer with advice about the time and amount of the payout as well.

Other Offerings

Along with all of the aforementioned services, merchant bankers also provide a variety of other specialized services, such as advice on mergers, amalgamations, tax-related issues, executive recruitment, audit costs, and audit management, among other things. With the ongoing growth of the money market, the range of duties, pursuits, and services performed by merchant bankers keeps expanding.

Contract Document

In the event of a rights issue or public offering, the offer document is the letter of offer, which is submitted with the Registrar of Companies and Stock Exchanges. An investor may make an investment choice with the assistance of an offer paper, which contains all the necessary information.

An offer document is a formal legal document that must be submitted to regulatory organizations and contains information about investment offers that are sold to the general public or via private placement. The information in this booklet is crucial for investors to make wise investment choices [7], [8].

Offer Document Types

Since 1992, the whole IPO/FPO law has been based on disclosures, which aim to provide investors with all the information necessary for them to make an educated investment choice. The SEBI ICDR Regulations 2009 go into great depth about the disclosure requirements pertaining to the issuing of securities. An offer document is a piece of writing that includes all pertinent information about a firm, its promoters, its initiatives, its finances, its goals in collecting capital, its issue formats, etc. It is used to solicit subscriptions for the issue that the issuer is currently making. In the event of a rights issue, the offer document is known as a letter of offer, and in the case of a public issue, a prospectus.

The term Draft Offer Document refers to the initial document submitted for evaluation by corporations to SEBI and stock exchanges. After being reviewed, these entities inform the firm of their views, which the company then must include in the offer document. A draft offer document must normally be processed by SEBI for 30 days. SEBI publishes the draft offer document on its website. Additionally, it is posted for public comment for at least 21 days on the websites of reputable stock exchanges where specific securities are planned to be listed and merchant bankers connected to the matter. Additionally, the issuer must make a public announcement in one English national daily newspaper, one Hindi national daily newspaper, and one regional language newspaper at the location of its registered office informing the public that the draft offer document has been filed with SEBI and inviting the public to submit comments to SEBI. This announcement must be made either on the date the draft offer document is filed with SEBI or the day after.

After the aforementioned timeframe has passed, the lead merchant bankers submit to SEBI a statement detailing any comments they or the issuer received about the draft offer document during that time, as well as any adjustments that were made as a result, if any.

In the event of a book building issue, a red herring prospectus is submitted to SEBI as a preliminary registration document. It contains no information about the price, the number of shares being offered, or the size of the issue. This implies that the number of shares and the upper and lower price ranges are revealed even if the price is not. However, an issuer may indicate that the size of the issuance and the number of shares will be chosen later. When it comes to book-built problems, the price cannot be known until the bidding process is through, therefore it is a process of price discovery. Therefore, in accordance with the requirements of the Companies Act, such information is not included in the Red Herring prospectus submitted with ROC. The specifics of the ultimate price are only published in the offer document after the bidding procedure is over. The prospectus is the offer document that was afterwards submitted to ROC.

Abridged Prospectus, which is released concurrently with the application form for a public offering, is a condensed version of the offer document. It includes all of the prospectus' key elements. In the event of a public offering, a prospectus is a document that contains all pertinent information, such as the price and quantity of shares or convertible instruments being sold. In the event of a fixed price issue, this document is filed with the ROC before the issue opens, and in the case of a book constructed issue, it modifies the issue's closing.

1. A shelf prospectus allows an issuer to make a number of issues over the course of a year without having to file a new prospectus each time. Public financial institutions, schedule banks, and public sector banks may use this facility.
2. In the event of a right issue of shares or convertible securities, a letter of offer is a document that stock exchanges fill out prior to the issue's opening.
3. A letter of offer that has been condensed is called an abbreviated letter of offer. It is mailed, together with the application form, to every shareholder.
4. The placement document, which includes all pertinent and important disclosures, is an offer document for Qualified Institutional Placement.
5. gaining access to draft offer papers before SEBI has even approved the IPO or FPO

For a period of 21 days from the day it was filed with SEBI, the draft offer document/letter of offer is available for download on the SEBI website. Public criticisms or concerns against the issuing business or other parties involved. The purpose of making an offer document public is to elicit feedback from the general public. After the business files the draft offer document with SEBI, the comments must be filed within 21 days. The firm, its top management, and the syndicate members are all able to provide a complete copy of the offer documentation. These may also be found on the lead managers', SEBI, stock exchanges', and corporate websites [9], [10].

Listing Contract

A listing agreement is a legal document that a home owner enters into with a real estate agent to hire the broker to find a buyer for the owner's home. The listing agreement is signed by the owner to authorize a real estate broker to represent the owner in the sale of their property, for which the owner agrees to pay a commission. A listing agreement may also include the paperwork necessary for a corporation to list its securities on a stock market like the New York Stock market. According to the first definition, a listing agreement enables the broker to negotiate and make bids for the property on behalf of the principle and the principal's property to third parties. Only a broker may serve as an agent to list, sell, or rent another person's real estate under the terms of real estate licensing regulations, and in most jurisdictions, listing agreements must be in writing. Because nearly all real estate transactions involve the same factors, the majority of listing agreements call for the same details, such as a property description, listing price, broker's obligations, seller's obligations, broker's compensation, terms for mediation, a listing-agreement termination date, and other terms and conditions. There are several kinds of listing agreements, including:

All Issuers whose securities are listed on the NSE shall adhere to the listing conditions and requirements specified in the Listing Agreement Form found in Appendix F to this Regulation as well as any additional conditions and requirements that the Relevant Authority may from time to time impose in addition to, in substitution for, or in place of those specified by the Listing Agreement Form.

A contract between the seller and the listing broker is known as the listing agreement. It outlines the listing's requirements. A listing agreement typically contains the following, however specifics should be negotiated: The length of the listing period is important because, as a seller, you may want to switch brokers if the sale does not go through as quickly as you would like. However, the broker wants the listing period to be as long as possible because, in many cases, it takes some time, effort, and money to attract other brokers' interest and close a sale. if it is too short, the broker forfeits the commission.

The amount of the commission - while the commission rate is generally claimed to be standard within a community, don't believe it, and it is sometimes possible to negotiate different rates up front, such as 2% to the listing broker and 3% to the selling broker. The desired sales price as well as a price that might be accepted. The selling broker may choose to sell her prospects a property that carries a bigger commission than she would get on your home if the rates are too low, and the listing broker may not want to do all required to push your house, such as actively promoting it. a commission exclusion of any kind. Would there be a lower charge, for instance, if you sold the

property yourself or to a friend who indicated interest? Usually, the broker will request that you include the names of any such individuals in the listing agreement.

The listing agreement has to be read carefully by the seller, who should also presumably have a lawyer evaluate it. For the seller, it is a very crucial document. Unless the listing agreement's provisions specify otherwise, the seller must pay the broker's full commission after a willing and able buyer is found, supposing all other requirements are satisfied. Unless the conditions of the listing agreement are modified, the commission must be paid even if the seller decides not to sell for whatever reason. Capital markets are financial marketplaces where long-term debt- or equity-backed assets may be bought and sold. These markets distribute the money of savers to those who can utilize it to make long-term, productive investments, such as businesses or governments. Financial regulators, like the U.S. Securities and Exchange Commission or the Bank of England in the UK, regulate the capital markets in their countries among other things to safeguard investors against fraud. The same job is also carried out by the Nigerian Securities and Exchange Commission.

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