

❖ Account Understand the Role of Brokers and process of Membership in Equity Markets

✚ What is the Importance of Brokers in the Stock Market?

If you wish to invest in stocks of companies in India, you have to do it through the stock exchanges. The two most prominent stock exchanges in India are - Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). However, for a common man, it's not possible to buy the stocks directly from the exchange.

They need middlemen to execute the trade; such middlemen are known as 'stock brokers'.

The role of a stock broker is to facilitate the buying and selling of stocks at the stock markets, on behalf of investors. There are many prominent stock brokerage firms in India through which you can trade in stock exchanges.

➤ Types of Brokers

Based on the types of clients they cater to, stock brokers are usually classified into two distinct categories:

- **Institutional Stock Brokers**

Institutional Stock brokers have large institutions and companies as their clients and trade in securities on behalf of them. They offer services such as investment banking, securities services (IPO or secondary offerings), advisory services, and brokerage services to institutional investors.

- **Personal Stockbrokers**

Personal stockbrokers offer investment banking, advisory services and brokerage services to small businesses and individual investors.

➤ **Services offered by a Stock Market Broker**

Apart from facilitating the buying and selling of stocks from the stock market, stock brokers also offer a gamut of services to their clients such as:

- **Advisory Services**

Stock Market brokers possess expertise related to the working of stock market, performance of stocks, market trends, and so on. Besides, they have access to the data base and research findings of brokerage firms that they are associated with. Hence, they can provide excellent investment advice to their clients.

- **Limited banking services**

Stock market brokers are authorized to provide limited banking services such as interest-bearing accounts, electronic deposits, and withdrawals. The clients can avail such banking-related services from the stock brokers by paying them a nominal brokerage charge.

- **Other Investments**

Apart from stocks, many stock brokers also deal in other securities such as mutual funds, bonds, exchange traded funds, futures, options and commodity trading. They also provide investment advice related to all these products, to their clients.

✚ **Role as Broker**

The broker is a completely independent player in over-the-counter (OTC) financial or non financial markets. Its role primarily consists of providing a point of contact for institutional clients seeking to buy or sell financial or non financial products. Regulatory restraints require the broker to act as a pure intermediary, taking no positions or dealing risks in the financial markets. Working at the very heart of the markets, the broker is in continual contact with leading players in the major financial centres (banks, insurance companies, large private companies, etc.),

enabling a unique, comprehensive knowledge of financial markets. Its chief functions are therefore:

- To ensure market liquidity and respond rapidly to its clients' needs,
- To respect the confidential nature of its clients' transactions.

The broker receives a commission on each client transaction. The professionalism of its clients' demands sophisticated expertise on the part of the broker in order to meet integrally its clients' needs. This expertise entails:

- Perfect knowledge of financial markets,
- A good understanding of its clients' needs and objectives,
- Providing superior quality, high value added service.

Tradition is an acknowledged leader in the rapidly moving world of financial brokerage, adhering to the fundamental principles of confidentiality, expertise, competence and sophisticated service.

process of Membership in Equity Markets

1. APPLICATION

Phase 1

- Submit the Application form
- Submit the Admission and Processing Fees

Phase 2

- Scrutiny of the Application
- Interview of the applicant

2. PROCESSING

- Submit the balance documents for registration if any
- Review of Documents by Membership Departments
- Admission by committee
- Forwarding Application to SEBI for registration of membership
- Receipt of SEBI Registration. Certificate as member of MSE

3. ACTIVATION

Submit the Following

- Activation Documents
- Deposits / Connectivity payments / Other Charges (as applicable)
- Activation of Trading rights