

Findrome's Official Financial Study Guide

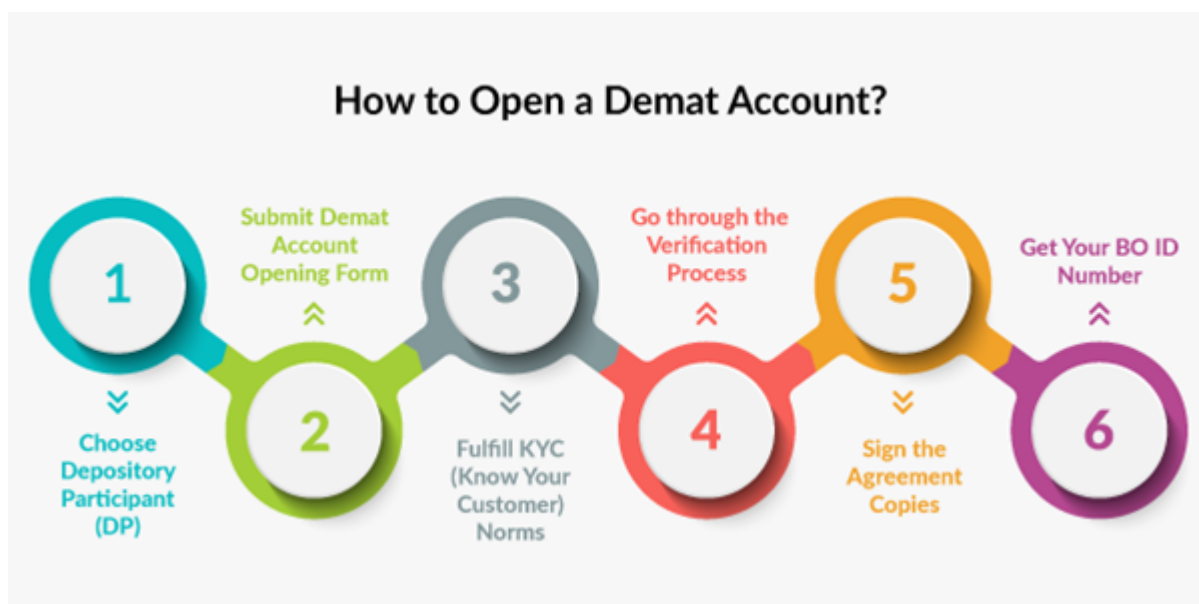
Learn how to make your Trading account and understand the basics of Financial Markets

1. Steps to create D-mat account

What is a D-mat account?

While trading online, d-mat account is used to hold shares and securities in D-materialised/electronic format. Under D-materialisation, share certificates are converted from physical form to electronic form so as to increase their accessibility.

Steps to create a d-mat account.



Step 1: Choose Depository Participant (DP)

Choosing a depository participant (DP) is the first step to open a D-mat account. In India, banks, stockbrokers, and online investment platforms offer DP services. While choosing a DP, it is advisable to go for a service provider whose services and features match your needs and requirements. (Depository Participant ('DP') is the agent or the registered stockbroker of a depository)

Step 2: Submit D-mat Account Opening Form

Visit your DP's website and fill out the online D-mat account opening form for opening a D-mat account. Many depository participants like IIFL offer the ability to open both trading and D-mat accounts.

Step 3: Fulfill KYC (Know Your Customer) Norms

On completing step 2, you will be asked to fulfill the Know Your Customer (KYC) norms. This would require you to submit scanned copies of KYC documents such as your identity proof, address proof, bank account statement, and income proof.

Step 4: Go through the Verification Process

After submitting your D-mat account opening form along with the requisite proofs, you will be asked by your DP to go through a process called 'In Person Verification' (IPV). This exercise is mandatory, and it's carried out with the intention of verifying the authenticity of your documents. Depending on your DP, you may be asked to be present in person at any one of your service provider's offices. However, many depository participants now offer IPV services online through the use of a webcam or a smartphone.

Step 5: Sign the Agreement Copies

Upon completion of IPV, you will be asked to sign an agreement with your DP. This agreement generally contains all the duties and rights of the depository participant and the investor.

Step 6: Get Your BO ID Number

On completing step 5, your DP shall proceed to process your D-mat account opening form. Upon approval of your application, you will be provided with a unique Beneficial Owner Identification Number. This BO ID is used to access your D-mat account.

Documents Required:

1. Identity proof: A copy of your PAN card with your photo
2. Address proof: A copy of a document which serves as proof of your residence.
3. Bank account proof: A copy of your bank account passbook or bank statement (not older than 3 months)
4. Proof of your income: A copy of your latest salary slips or your Income Tax Return (mandatory for currency and derivatives segment)

2. List of trading terms

Arbitrage: The simultaneous purchase and sale of an asset in order to profit from a difference in price.

Ask: A motion to sell (offer), indicating a willingness to sell a futures contract at a given price.

Back Month: A type of futures contract that expires anytime past the current contract month.

Basis: The difference between the current cash price and the futures price of the same commodity.

Broker: An individual or firm that arranges transactions between a buyer and a seller, and gets commissions when the deal is executed.

Bid: A motion to buy (purchase price), indicating a willingness to buy a futures contract at a given price.

Bear: One who expects the price to decline.

Bear Market: A market in which prices are declining.

Bull: One who expects prices to rise.

Bull Market: A market in which prices are rising.

Beta: A measurement of the relationship between the price of a stock and the movement of the whole market. If stock XYZ has a beta of 1.5, that means that for every 1 point move in the market, stock XYZ moves 1.5 points, and vice versa.

Cash Market: A place where people buy and sell the actual commodities, i.e., grain elevator, bank, etc. See Spot and Forward Contract.

Cash Price: The price of the actual physical commodity that a futures contracts is based upon.

Commodity: An article of commerce or a product that can be used for commerce. In a narrow sense, products traded on an authorized commodity exchange.

Contract: Unit of trading for a financial or commodity future. Also, actual bilateral agreement between the parties (buyer and seller) of a futures or options on futures transaction as defined by an futures exchange.

Deferred Month: The more distant month(s) in which futures trading is taking place, as distinguished from the nearby (delivery) month.

Futures: A term used to designate all contracts covering the purchase and sale of financial instruments or physical commodities for future delivery on a commodity futures exchange.

P/E ratio: The price-to-earnings (P/E) ratio relates a company's share price to its earnings per share. A high P/E ratio could mean that a company's stock is overvalued, or else that investors are expecting high growth rates in the future.