M.L.Dahanukar College of Commerce

The BAF Times

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FOREWORD

Idea Behind This Weekly Newsletter

Being a Commerce College, students are expected to know the changes in the business world. This weekly newsletter will help the students get acquainted with a glimpse of what happened in the week gone by. It will also have insights into various business and commerce related updates which will help you gain in-depth knowledge. Make it a point to read each and every article in this issue and stay updated so that you don't get outdated.

- DR. D. M. Doke
Principal

SIGN ALONG THE FINANCIAL MANAGEMENT HIGHWAY: 'CMS IN THE MAKING....GO SLOW'.

Dr.Sudha Subramaniam,
Core Faculty,
M.L.Dahanukar College of Commerce

Enterprises have been at work preparing their surfboats to surf the waves and stay afloat. Whether we are at the end of one wave and the beginning of another or whether we are caught between overlapping waves, Collateral management as an integral part of the risk and regulatory compliance framework of a Financial Institution has been gaining increasing importance. In fact, Collateral Management Systems is making waves globally, especially because it is a double-edged sword. On the one hand it is a risk-reducing tool but wide spread liquidation of collateral, following defaults, could create major market disturbances.

As a credit enhancement technique collateral management protects assets against a credit event such as default by the counterparty and is associated with privately negotiated derivatives and other transactions. Collateral Management is increasingly being used for individual deals and for portfolio deals. With increasing volatility, risk and lack of predictability, collaterals are facing bumpy ground.

First introduced by Lewis Ranieri in association with Salmon Brothers, a Collateralized Debt Obligation (CDO) is a structured credit product that pools together cash flow generating assets like mortgages, bonds, loans, etc and then slices these asset pools into discrete tranches that can be sold to the investors. The credit rating of the collateral debt tranches is done by the issuers of CDOs on the basis of assessments made by credit rating agencies.

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The ramp-up period of the CDO, where it will be held on the firms Balance Sheet as an investment is nothing more than a representation that is based on a future bubble. Once the firm has enough loans, they will form an SPE (Special Purpose Entity) which removes the debt from the firms Balance Sheet. The SPE then issues the CDO and sells it to investors.

Trapped in an unforeseen swirl, the collateral debt obligations are poised on the verge of unforeseen precipices. The sub-prime crisis saw the bubble burst of Lehman Brothers and witnessed Merrill Lynch go up in smoke. The pandemic is witnessing prosperity for sectors like Pharma, Cloud Computing, Ecommerce and gaming. That apart, for example, the liquidity crunch faced by Café Coffee Day and stressed assets of corporate bigwigs who have escaped the net are but a skewed projection of a vicious circle of trapped funds.

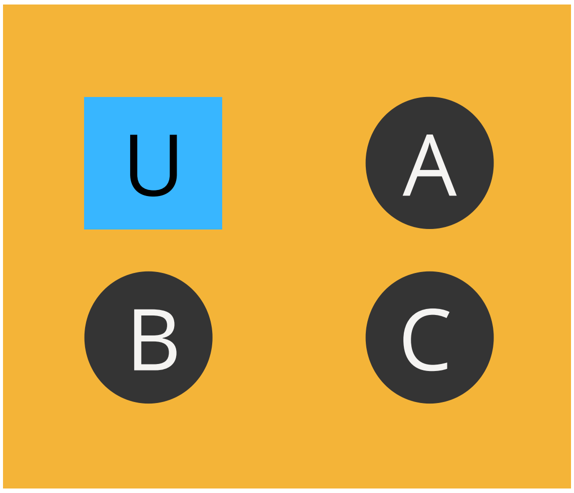
In the recent past, Collateralised Debt Obligations have once again gained favour on Wall Street and across the world. Synthetic CDOs, which are particularly risky, have also seen a wave of fresh investment, with investors looking for ways to bet on corporate defaults and generate yields. According to JP Morgan, trading volumes in synthetic collateralized debt obligations linked to credit indexes was up over 40% in 2019, on the back of a continuous three-year double-digit growth in the USA. Citigroup, Deutsche Bank and Barclays also increased their presence in CDOs.

However, the waves of the pandemic could augur future disarray for the Capital Markets, which are currently buoyant on a base which is facing the onslaught of a major liquidity crunch. Careful monitoring with required insulating and hedging could avert a financial catastrophe.

RBI PLANS TO BRING CENTRAL BANK DIGITAL CURRENCY (CBDC) ON PILOT BASIS

Mr. Rohan Parab,
Alumni,
M.L.Dahanukar College of Commerce

Difference between Bitcoin, Virtual currency and CBDC:



U = Digital Currencies
A = CBDC (Regulated digital currency)
B = Virtual Currency (Unregulated)
C = Crypto Currencies (Unregulated/ decentralized, No one authority creates it. It is done by Bitcoin miners through solving complex computational puzzles).

Why RBI wants to introduce CBDC?

Bitcoin prevalence has increased, it is necessary to have a viable alternative before cryptocurrency take over the payment methods since it is unregulated/ decentralized. Cryptocurrencies such as bitcoin have added to pressure on the central banks. National currencies are likely to come under some kind of threat.

The RBI is considering the phased introduction of a Central Bank Digital Currency (CBDC).

Questions are still there whether to bring CBDC for wholesale and retail payments, to use blockchain technology, etc. because, still today India has a fairly high Currency – to – GDP Ratio which leads to cost of printing, transporting and storing paper currency.

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How will it work?

It will work just like cash payment where bank account linking is not required and also no need to pay the extra charges of inter bank settlements. What you all need is just a smart phone and you are good to go.

Advantages:

- Its introduction will protect people from the volatility of private currencies.
- It will help bringing down the usage of cash in the economy.
- Cost of printing, transporting and storing paper currency can be sustainably reduced.
- It will be a real time payment without any interbank settlement.
- Globalization of payment system.
- Benefits to the Indian exporters to be paid on a real time basis without any intermediary, the risk of dollar – rupee transaction, the time zone difference in such transaction would virtually disappear.

Challenges:

- The biggest challenge is of anonymity, that may have implications for cross – border transactions.
- To curb this, appropriate safeguards would need to be laid down under existing anti – money laundering and financial – terrorism laws.

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European Central bank took a major step towards a digital Euro approving an 'investigation phase' that could ultimately lead to virtual currency.

Most major central banks trail China where trials of a digital currency have started in several cities. The US Federal Reserve and The Bank of England are looking into the possibilities for their economies.

The time has come, India can't stay behind in the race of Industrial Revolution 4.0 which is all about Digital Revolution.

Central Bank Digital Currency, is 'this the Future of Money', is a yes.

HOW TO BUY SHARES AND TRADE ONLINE?

Mr. Karan Patil,
Alumni
M.L.Dahanukar College of Commerce &
Founder, Maksideo Investments

Stocks are a very popular asset class. Investing in stocks provides various benefits to investors.

In today's world buying and selling of shares of any company has become very easy. However, people often get confused with the process and the terminologies while buying shares. So let's make your online trading experience trouble-free.
To begin with, one must understand that you can only buy shares online(dematerialised form). You cannot buy shares in physical form.

Primary checklist to buy shares online:

- Bank account
- Demat/Trading account
- Money

First of all, you need a bank account. It is better to have a net banking facility as your bank account is linked to the Demat account. In absence of net banking, you can transfer the funds to your Demat account via National Electronic Fund Transfer (NEFT).

Demat/Trading Account is technically different but often these words are used interchangeably. A trading account is where you buy and sell shares. In the case of a Demat account, your shares are held in electronic form.

Last but not the least, the most important thing is money. One should not borrow money to buy shares. It can be highly risky to borrow money to buy shares.

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Things required to open a Demat account

1. Identity Proof: Identity proof or ID proof involves, PAN Card, UID (Aadhar Card), Driving License, Passport or any document issued by the central government as identity proof.
2. Address Proof: Address proof involves documents like Passport, UID (Aadhar Card), Voter ID Card, Electricity bill, etc.
3. Bank Details: Bank details involve the bank's IFSC code, MICR number along with your name. Some brokers allow you to submit a bank statement or cancelled cheque which has the same details on it.

After Submitting these documents, your broker will do eKYC and after successful completion of eKYC your Demat and trading account will be active. Your broker will provide you with a portal where you can login and trade.

Things to check before selecting a broker

1. Brokerage rates: One must check the brokerage rates before selecting a broker. Brokerage rates are quite variable depending on the broker. Some of the brokers charge minimal brokerage while some brokers have a slightly higher range. This depends on the broker's intentions. High brokerage demotivates from entering into short term trades. One must have a clear trading strategy before selecting a broker. Initial margin is one of the things one must keep in mind. A higher initial margin can lower your brokerage. The initial margin is the initial fund you need to transfer to your Demat account to buy shares.
2. Account maintenance charges: Broker charges the annual fees for account maintenance. One must also be vigilant about any other hidden fees. Sometimes free or low broking charges have comparatively higher account maintenance charges. One must choose the best combination to lower the cost.

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3. Service quality: If a cheap brokerage is not providing you with the expected service then it is of no use. While you select your broker, quality of service and quick resolution of your queries shall be the primary factors to consider. It is also a good idea to review the portal quality and the recommendations provided by the broker.

How to buy shares?
After selecting a broker and opening a Demat account You have to login into your bank account and transfer desired funds to your Demat account. Your Demat account is linked to your bank account. You can transfer funds through net banking, NEFT or through UPI.
After transferring the funds, you need to select the stock you want to buy. You can search for the stock name in the search bar on your portal or mobile application provided by the broker.

Steps to make the purchase:
After selecting the share, select the option to buy. Now you have to fill in the following details:

1. The quantity you want to buy
2. Price: Now you have a choice whether to buy at the price you wish to or at the prevailing market price. To buy at your desired price you have to select the limit order. To buy at the prevailing market price you have to select the market order. If you select the limit order, you have to enter the price you want to buy at. In the case of a market order, you need not enter the price.

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Note: Limit order might take some time to execute as there should be a seller selling at the exact same price. Whereas, a market order may result in buying shares at a higher price than you expect.
Disclosed Quantity: It is the quantity of the order you wish to be visible on the exchange. One can keep this blank but if entered the quantity should be equal to or greater than 10% of the order.

If your order is of 10000 shares of a stock and you enter the disclosed quantity as 2000 then an offer for 2000 shares will be visible on the exchange. After the execution of the 2000 shares order another 2000 shares will be visible from your order and so on.

- Select the exchange you want to trade-in. In India, you will have the option
- to trade on NSE or BSE.
- Validity: Validity refers to the validity of the order. In this, you have two options viz. Day or IOC. Day order means your order will last for a day and if not executed by the end of the day, you have to enter another order. IOC stands for Immediate or cancel. As the word suggests IOC order will either get executed or the order gets cancelled immediately.
- Product Type: These are the different types of trades you can make. There are three main product types in equity viz. Intraday, Delivery and Margin.

Conclusion
Hope this comes in handy whenever you plan to buy shares online.
Happy investing!

IDFC LTD EXITS FROM IDFC FIRST BANK LTD

Mr. Gaurav Rangnekar,
Alumni,
M.L.Dahanukar College of Commerce

IDFC Ltd was incorporated in the financial year 1997, the main business vertical was into Infrastructure finance and investment banking. In the Financial year 2014, a new bank named "IDFC Bank ltd" was incorporated as a private sector bank and the business vertical was into Infrastructure Finance assets and liabilities management. The bank performed very well and captured considerable market share in corporate loan segment but didn't perform well in retail segment. Due to growing NPA's by corporate, there was a huge risk to the bank in future. Capital first Ltd was also a well performing bank in the private segment and they had captured the retail segment on a large scale.

In FY 2018, a successful merger plan was developed and executed between IDFC Bank Ltd and Capital First Ltd. The main purpose was this merger was to enter and capture a strong market base in corporate as well retail segment. This merger strategy has emerged as one of the most successful- merger in the banking history of India. IDFC Ltd belongs to the promoter group of IDFC First Bank ltd with a shareholding of 36.56% as on 30th June ,2021. During the merger time of IDFC Bank and Capital First, there was an agreement of 5 years NO Exit as the promoter of the company. The 5 years agreement has come to an end and hence RBI has allowed the promoter (IDFC Ltd) to exit from the promoter position in the IDFC First Bank Ltd. RBI had mandated the promoter to hold a minimum of 40% shareholding in the bank and they can reduce it to 15 % over the period of 10 Financial Years. This buzzing news has set a new record for IDFC Ltd as their share-price surged 17% making it to hit a 52-week record price of Rs 62.80.

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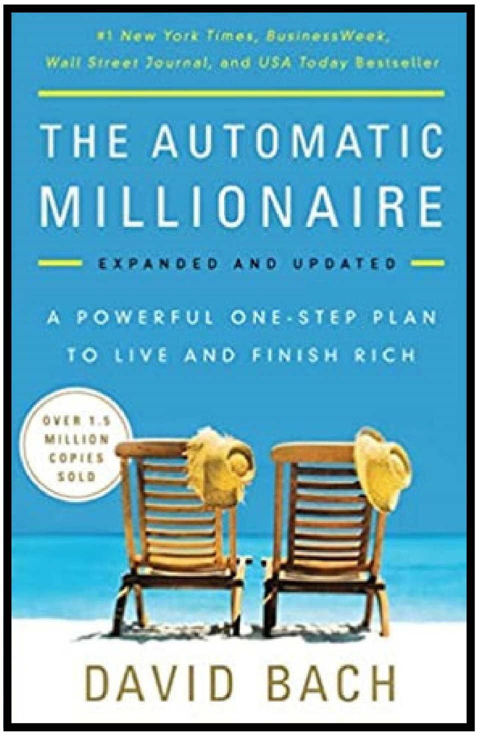
IDFC LTD · 4h · NSE
O57.95 H58.05 L56.25 C57.25 −0.65 (−1.12%)
57.25 0.00 57.25
EMA 44 close 55.19
Vol 1.982M
Mar Apr May Jun Jul Aug Sep
1D 5D 1M 3M 6M YTD 1Y 5Y All
21:43:57 (UTC+5:30)
adj ext % log auto
Stock Screener
Text Notes
Pine Editor
Strategy Tester
Trading Panel

READ TO LEAD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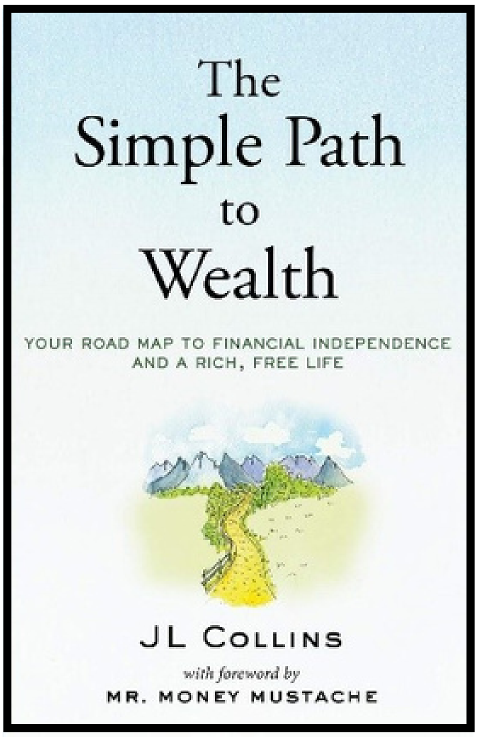
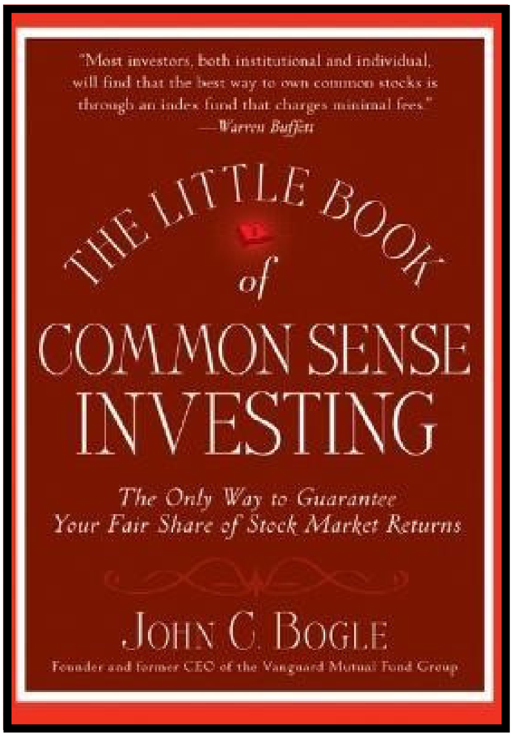
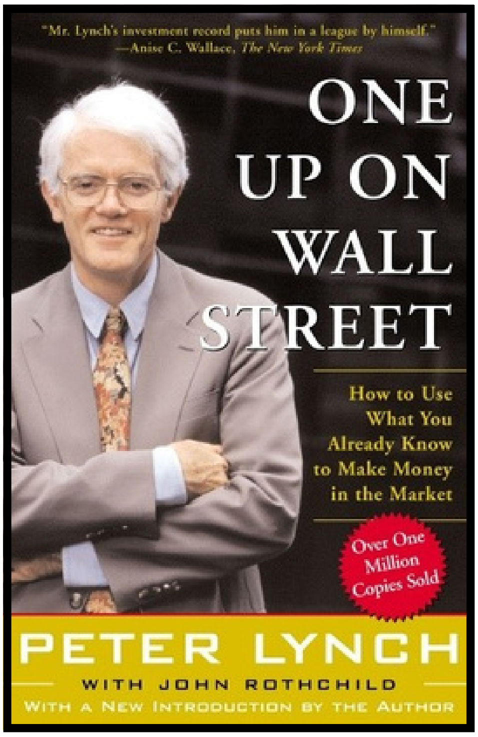

The Simple Path to Wealth
YOUR ROAD MAP TO FINANCIAL INDEPENDENCE AND A RICH, FREE LIFE
JL COLLINS
with foreword by
MR. MONEY MUSTACHE


"Most investors, both institutional and individual, will find that the best way to own common stocks is through an index fund that charges minimal fees."
—Warren Buffett
THE LITTLE BOOK of COMMON SENSE INVESTING
The Only Way to Guarantee Your Fair Share of Stock Market Returns
JOHN C. BOGLE
Founder and former CEO of the Vanguard Mutual Fund Group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How to Use What You Already Know to Make Money in the Market
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Designed by:
Bhavya Bhat, TYBAF

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