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CLASS X · INTRODUCTION TO FINANCIAL MARKETS (405) · SKILL SUBJECT · CBSE BOARD EXAMINATION 2027

PART B · UNIT 2

Securities

SEBI · RBI · Brokers · DPs

Unit Booklet · Short Notes · Board-Pattern Questions · Model Answers

Part B · 2 of 40 theory marks | 23 questions with model answers | Manish Mathur Sir | Taught: Mon 23 Nov (with Unit 1)

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STUDENT DETAILS

NAME _____

CLASS & SECTION _____

ROLL NO. _____

UNIT FINISHED ON _____

OBJECTIVE SELF-CHECK _____ / 14

1

READ THIS FIRST · SHORT NOTES

Unit Notes

What securities are, what the securities market does, who regulates it (SEBI and others), and who takes part in it: issuers, investors and intermediaries.

THIS UNIT IN THE BOARD PAPER

2 / 40

Unit 2 carries **2 marks**. In the CBSE sample paper it gave **2 one-mark items** (SEBI and the primary market). SEBI's role and the list of market intermediaries are also asked as 2-mark questions.

SYLLABUS 2026–27 · WHAT CBSE LISTS FOR THIS UNIT

- Securities: meaning, functions and examples
- Market regulators and their functions; SEBI and its role
- Participants in the securities market; role of intermediaries
- Activity: SEBI role play; PPT on the securities market

HOW THE CBSE SKILL-SUBJECT PAPER IS SET (THEORY 50 MARKS · 2 HOURS)

1 mark
Objective: MCQ, assertion–reason, fill in the blank, true/false, match. Q1 is Part A; Q2–Q5 (answer 5 of 6 in each) are Part B.

2 marks
Short answer in **20–30 words**: two clear points. Part B: answer any 4 of 6 (Q11–Q16).

4 marks
Long answer in **50–80 words**: four points, or 2 + 2. Answer any 3 of 5 (Q17–Q21); often case-based.

Part B = 40
Objective 20 + short 8 + long 12. Part A (Employability Skills) = 10. Practical = 50.

Write in points, start each point with the key word, and stay inside the word limit. Objective answers: write the option letter **and** the answer.

1 Securities

Securities: financial instruments issued by companies or governments to raise money, which can be bought and sold in the market.

- **Examples:** equity shares, preference shares, debentures, bonds, government securities, mutual fund units, derivatives.
- **Ownership securities:** shares (holder is an owner).
- **Debt securities:** debentures and bonds (holder is a lender).
- Securities are **transferable**: they can be sold to another person.

2 Securities market and its functions

Securities market: the market where securities are **issued** and **traded**. It links those who need money (issuers) with those who have savings (investors).

Two parts: **primary market** (new issues – money goes to the issuer) and **secondary market** (trading of existing securities on stock exchanges).

- **Mobilises savings** and channels them into companies and government projects.
- **Gives liquidity:** investors can sell securities and get cash quickly.
- **Price discovery:** demand and supply fix fair prices.
- **Choice of investments** for every kind of investor.
- **Helps economic growth** by funding industry and infrastructure.

3 Regulators of the financial market

Regulator	What it regulates
SEBI	Securities market: stock exchanges, brokers, mutual funds, public issues
RBI (Reserve Bank of India)	Banks, money market, government securities, foreign exchange
Ministry of Finance	Overall financial policy (Department of Economic Affairs)
Ministry of Corporate Affairs	Companies, under the Companies Act, 2013
IRDAI · PFRDA	Insurance · pension funds

4 SEBI and its role

> **SEBI (Securities and Exchange Board of India):** the regulator of India's securities market. Set up in **1988**; got legal (statutory) powers under the **SEBI Act, 1992**. Head office: **Mumbai**.

Three objectives: (1) **protect investors**; (2) **develop** the securities market; (3) **regulate** the market.

- Registers and regulates intermediaries: brokers, merchant bankers, mutual funds, depositories.
- Stops fraud, price rigging and **insider trading** (trading on secret company information).
- Makes companies **disclose** full facts when they issue securities.
- Inspects and audits exchanges and intermediaries; can fine or ban wrongdoers.
- Runs investor education and the **SCORES** online complaint system.

5 Participants in the securities market

Group	Who
Issuers	Companies, central and state governments, public-sector bodies that raise money
Investors	**Retail** (individuals) and **institutional**: mutual funds, banks, insurance companies, foreign portfolio investors
Intermediaries	Stock brokers, merchant bankers, registrars, bankers to an issue, underwriters, depositories and DPs, custodians, portfolio managers, credit rating agencies, investment advisers
Market institutions	Stock exchanges, clearing corporations, depositories

6 Role of intermediaries

Intermediary	Role
Stock broker (trading member)	Buys and sells securities on the exchange for investors
Merchant banker	Manages a public issue: plans it, prepares the offer document
Registrar to an issue / RTA	Handles applications, allotment and records of shareholders
Underwriter	Promises to buy the unsold part of an issue
Depository Participant	Opens and maintains demat accounts
Credit rating agency	Rates the safety of debt instruments, e.g. CRISIL, ICRA, CARE

Every intermediary must be **registered with SEBI** and follow its rules.

Key terms

14 terms

Security: tradable financial instrument such as a share or bond

Issuer: body that raises money by issuing securities

Primary market: market for new issues

Secondary market: market for trading existing securities

Regulator: authority that makes and enforces market rules

SEBI: regulator of the securities market, 1988 / 1992

Insider trading: trading on secret company information

SCORES: SEBI's online complaint system

Retail investor: individual investor

Institutional investor: mutual fund, bank, insurance company, FPI

Intermediary: service provider between issuer and investor

Merchant banker: manages a public issue

Underwriter: buys the unsold part of an issue

Credit rating agency: rates the safety of debt

Common mistakes and exam tips

AVOID THESE

- SEBI regulates the **securities** market; banks are regulated by the **RBI**.
- SEBI was set up in 1988 but became **statutory** in 1992 – write both when asked about its history.
- In the primary market money goes to the **company**; in the secondary market it goes to the **selling investor**.
- Name an intermediary **and** its role; a list of names alone earns half marks.

PART A · 1 MARK EACH

A Objective Questions

14 questions: MCQs, assertion–reason, fill in the blanks and true/false, like Q2–Q5 of the board paper. Answers in Part E.

ASSERTION–REASON: HOW TO ANSWER

(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

A1. Which body regulates the securities market in India? [1]

(a) RBI (b) SEBI (c) IRDAI (d) NSDL

A2. SEBI got statutory powers in the year: [1]

(a) 1988 (b) 1992 (c) 1996 (d) 1875

A3. The market in which a company issues new securities for the first time is the: [1]

(a) Secondary market (b) Primary market (c) Money market (d) Commodity market

A4. Which of these is NOT a security? [1]

(a) Equity share (b) Debenture
(c) Savings bank passbook (d) Government bond

A5. Trading in shares on the basis of secret, price-sensitive company information is called: [1]

(a) Arbitrage (b) Insider trading (c) Hedging (d) Underwriting

A6. The intermediary who manages a public issue and prepares the offer document is the: [1]

(a) Merchant banker (b) Underwriter (c) Custodian (d) Sub-broker

A7. CRISIL and ICRA are examples of: [1]

(a) Stock exchanges (b) Depositories
(c) Credit rating agencies (d) Mutual funds

A8. Banks, insurance companies and mutual funds investing in the market are called: [1]

(a) Retail investors (b) Institutional investors
(c) Issuers (d) Regulators

A9. Which is NOT an objective of SEBI? [1]

(a) Protect investors (b) Develop the securities market
(c) Regulate the securities market (d) Issue currency notes

A10. ASSERTION–REASON [1]

Assertion (A): Every stock broker must be registered with SEBI.

Reason (R): SEBI registers and regulates market intermediaries.

(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

A11. ASSERTION–REASON [1]

Assertion (A): The securities market helps economic growth.

Reason (R): The securities market is regulated by the RBI alone.

(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

A12. FILL IN THE BLANK [1]

The person who promises to buy the unsold part of a public issue is the _____.

A13. FILL IN THE BLANK [1]

SEBI's online system for investor complaints is called _____.

A14. TRUE OR FALSE [1]

In the secondary market, the money paid by a buyer goes to the company that issued the share.

B — Short Answer Questions

PART B · 2 MARKS EACH

Answer in 20–30 words: two clear points. Model answers in Part E.

B1. What are securities? Give two examples. [2]

B2. State any two objectives of SEBI. [2]

B3. Write any two functions of the securities market. MUST DO [2]

B4. Differentiate between retail and institutional investors. [2]

B5. Name any two market intermediaries and state the role of each. [2]

C — Long Answer Questions

PART C · 4 MARKS EACH

Answer in 50–80 words: four points, or two points with an example each. Model answers in Part E.

C1. Explain any four functions of SEBI. MUST DO [4]

C2. Who are the participants in the securities market? Explain. [4]

C3. Explain the roles of four intermediaries in the securities market. [4]

D

PART D · CASE AND COMPETENCY BASED

Case-Based Questions

Read the situation, then answer from it and from the unit. These are the 4-mark board questions that test application.

D1. Competency-Based · The tip on a messaging group [4]

Karan, an employee of a listed company, learns that his company will soon announce a big loss. Before the news is public he sells his shares and posts a "sell now" tip on a messaging group. Many small investors who bought from him later lose money.

(i) What is Karan's act of selling on secret information called? [1]

(ii) Which authority can act against him? [1]

(iii) Give two ways in which SEBI protects small investors from such acts. [2]

E

PART E · ANSWERS IN CBSE MARKING-SCHEME STYLE

Answers

Objective key with a reason, then model answers: numbered value points, key word first, the mark for each point in orange, and the word count under each answer. Any other correct, relevant point also earns the mark.

Objective questions – answer key

Part A

Write the option letter **and** the answer, as the marking scheme does.

Q	Answer	Why (one line)
A1	**(b) SEBI**	SEBI Act, 1992.
A2	**(b) 1992**	Set up 1988; statutory 1992.
A3	**(b) Primary market**	Primary = new issue market.
A4	**(c) Savings bank passbook**	A passbook is not a tradable instrument.
A5	**(b) Insider trading**	SEBI prohibits it.
A6	**(a) Merchant banker**	Issue manager.
A7	**(c) Credit rating agencies**	They rate debt instruments.
A8	**(b) Institutional investors**	Large organisations, not individuals.
A9	**(d) Issue currency notes**	Currency is issued by the RBI.
A10	**(a) Both true; R explains A**	R explains A.
A11	**(c) A true, R false**	R is false: SEBI is the main regulator.
A12	**Underwriter**	Guarantees the issue is filled.
A13	**SCORES**	SEBI Complaints Redress System.
A14	**False**	Correct: it goes to the investor who sells the share; the company gets money only in the primary market.

Short answers

Part B · 2 marks

B1. What are securities? Give two examples. [2]

1. **Meaning:** tradable financial instruments issued by companies or governments to raise money. 1
2. **Examples:** equity shares and debentures. 1

17 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + ½ + ½

B2. State any two objectives of SEBI. [2]

1. **Protect:** protect the interests of investors in securities. 1
2. **Develop and regulate:** promote the growth of the securities market and regulate it. 1

21 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | Any two, 1 mark each

B3. Write any two functions of the securities market. [2]

1. **Mobilises savings:** channels savings to companies and government. 1
2. **Liquidity:** investors can sell securities and get cash quickly. 1

17 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | Any two, 1 mark each | MUST DO

B4. Differentiate between retail and institutional investors. [2]

1. **Retail:** individuals investing their own small savings. 1
2. **Institutional:** organisations such as mutual funds, banks and insurance companies investing large sums. 1

20 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

B5. Name any two market intermediaries and state the role of each. [2]

1. **Stock broker:** buys and sells securities on the exchange for clients. 1
2. **Merchant banker:** manages a public issue for a company. 1

20 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | ½ name + ½ role, × 2

Long answers

Part C · 4 marks

C1. Explain any four functions of SEBI. [4]

1. **Registration:** registers and regulates brokers, merchant bankers and mutual funds. 1
2. **Fraud control:** prohibits price rigging and insider trading. 1
3. **Disclosure:** makes issuers give full and true information to investors. 1
4. **Investor protection:** educates investors and settles complaints through SCORES. 1

37 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | Any four, 1 mark each | MUST DO

C2. Who are the participants in the securities market? Explain. [4]

1. **Issuers:** companies and governments that raise money. 1
2. **Investors:** retail individuals and institutions that buy securities. 1
3. **Intermediaries:** brokers, merchant bankers, DPs and others who provide services. 1
4. **Institutions and regulator:** stock exchanges, depositories, clearing corporations, and SEBI as regulator. 1

37 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each

C3. Explain the roles of four intermediaries in the securities market. [4]

1. **Stock broker:** trades on the exchange for investors. 1
2. **Registrar:** handles applications, allotment and shareholder records. 1
3. **Underwriter:** buys the unsold part of an issue. 1
4. **Depository Participant:** opens and maintains demat accounts. 1

30 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each

Case-based answers

Part D

D1. Competency-Based · The tip on a messaging group (passage printed in Part D) **[4]**

(i) What is Karan's act of selling on secret information called? [1]

Insider trading.

(ii) Which authority can act against him? [1]

SEBI, the securities market regulator.

(iii) Give two ways in which SEBI protects small investors from such acts. [2]

(1) It **prohibits insider trading** and can fine or ban the person. (2) It forces companies to **disclose** price-sensitive news to everyone at once and runs **SCORES** for complaints.

Marking: 1 + 1 + 2 = 4 | 1 + 1 + (1 + 1)