

PRIMARY MARKET

The primary market is the part of the capital market that deals with the issuance and sale of equity-backed securities to investors directly by the issuer. Investor buy securities that were never traded before. Primary markets create long term instruments through which corporate entities raise funds from the capital market.

- Public issue: Securities are issued to the all the members of the public who are eligible to participate in the issue.
- Private placement: The sale of securities to a relatively small number of select investors as a way of raising capital. ...
- Preferential issue: A private placement of securities by a listed company.

Main features of the primary market (type of Capital Market) are as follow:

- (1) It is related with New Issues:
- (2) It has No Particular Place:
- (3) It has Various Methods of Floating Capital:
 - (i) Public Issue:
 - (ii) Offer for Sale:
 - (iii) Private Placement:
 - (iv) Right Issue:
 - (v) Electronic Initial Public Issue (e-IPOs)



The services of an underwriter are typically used as part of a public offering in a primary market. ... Underwriters make their income from the price difference (the "underwriting spread") between the price they pay the issuer and what they collect from investors or from broker-dealers who buy portions of the offering.

The important parties involved in the new issue are:

- Managers to the issue,
- Registrar to the issue,
- Underwriters,
- Bankers,
- Advertising agencies,
- Financial institutions; and.
- Government or statutory agencies.

An allotment commonly refers to the allocation of shares granted to a participating underwriting firm during an initial public offering (IPO). Remaining surpluses go to other firms that have won the bid for the right to sell the remaining IPO shares. There are several types of allotment that arise when new shares are issued and allocated to either new or existing shareholders.

Investor protection means that up to a certain limit, you receive your money back if the broker goes into bankruptcy or commits fraud. It is an important factor to consider when you open an account with an online broker. When you open a trading account at a brokerage, you usually get investor protection.

The secondary market is where investors buy and sell securities they already own. It is what most people typically think of as the "stock market," though stocks are also sold on the primary market when they are first issued

Secondary markets are primarily of two types – Stock exchanges and over-the-counter markets. Stock exchanges are centralised platforms where securities trading take place, sans any contact between the buyer and the seller. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) are examples of such platforms.

Table 40.1. The Structure of Securities Market



Functions of Stock Exchange

- Ready and continuous market
- Protection to investors
- Provides information to assess the real worths of securities
- Proper channelization of funds
- Promotion of industrial growth
- Accelerates capital formation
- Raising long-term capital
- Impact on company performance
- Economic barometer