



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

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DEPARTMENT OF MANAGEMENT STUDIES

SUBJECT NAME & CODE : 23BAT308 - MERCHANT BANK

YEAR/ SEMESTER : II MBA / III SEMSTER

UNIT 1 : MERCHANT BANKING

Topic : Merchant Bank



Merchant Banking



- Merchant banking is a specialized financial service that combines banking with consultancy services, primarily catering to the needs of large corporations and high-net-worth individuals (HNIs).
- In India, merchant banks play a crucial role in the development of industries and trade by providing advisory and fund-raising services to corporates.
- These banks assist in underwriting new issues, facilitating mergers and acquisitions, corporate restructuring, and providing financial advisory services.



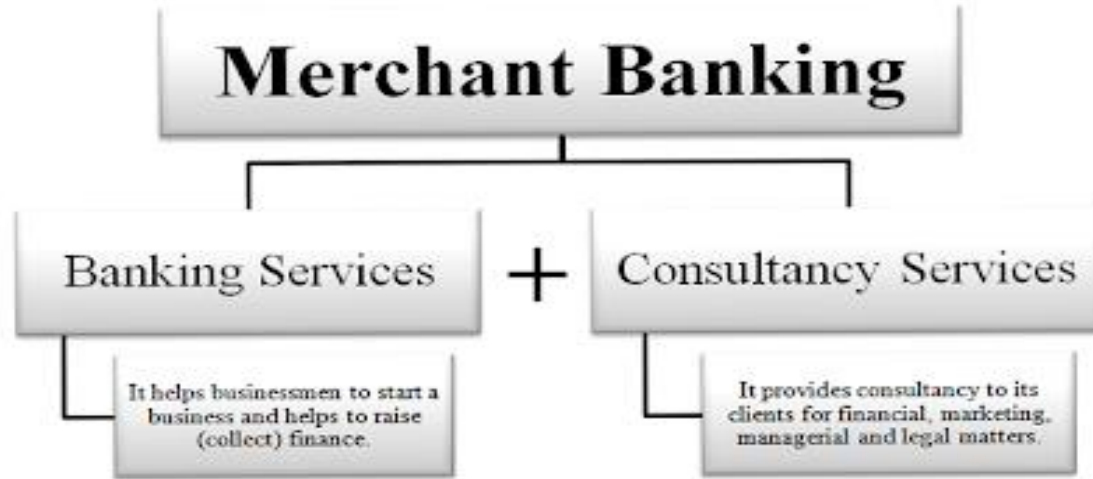
Key Points in Merchant Banking



- Advisory Role
- Capital Raising
- Underwriting Services
- Mergers and Acquisitions
- Portfolio Management
- Corporate Restructuring



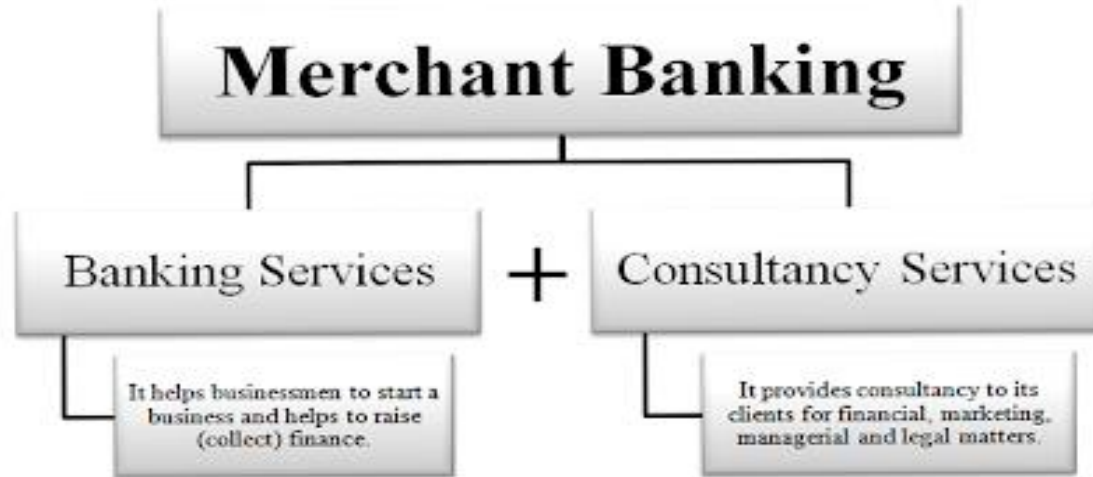
How does Merchant Banking Work?



Merchant Banking act as Financial Engineer for a Business.



How does Merchant Banking Work?



Merchant Banking act as Financial Engineer for a Business.

Merchant Bank

Services



Project counselling



Loan syndication



Portfolio management



Underwriting services



Issue management



Regulatory Framework for Merchant Banking in India



- Merchant banking in India is governed and regulated by the Securities and Exchange Board of India (SEBI) to ensure transparency, accountability, and investor protection.
- The regulatory framework is primarily outlined in the SEBI (Merchant Bankers) Regulations, 1992 and other associated guidelines



SEBI (Merchant Bankers) Regulations, 1992



- **Registration:** Merchant bankers must register with SEBI to operate legally.
- **Categories:** Classified into four categories, with Category I offering the most comprehensive services, including issue management and underwriting.
- **Capital Adequacy:** Category I bankers must maintain a minimum net worth of ₹5 crore.
- **Code of Conduct:** Ensures fairness, transparency, and integrity in operations.



SEBI (Merchant Bankers) Regulations, 1992



Categories of Merchant Bankers:

SEBI classifies merchant bankers into different categories:

Category I: Can conduct issue management, advisory services, and undertake underwriting.

Category II: Can act as advisors, consultants, or co-managers but cannot manage public issues independently.

Category III: Can act as underwriters only.

Category IV: Restricted to advisory and consultancy services.



SEBI Guidelines for Issue Management



- **Draft Offer Documents:** Merchant bankers must prepare and submit offer documents for SEBI approval, ensuring full disclosure.
- **Pricing and Underwriting:** Merchant bankers advise on pricing and underwrite public issues, reducing risks for companies.
- **Investor Protection:** Ensure transparency and compliance with regulations to protect investors.



SEBI Disclosure and Investor Protection Guidelines



- **Material Disclosures:** Ensure all relevant company information is disclosed, including risks.
- **Corporate Governance:** Issuing companies must comply with governance norms.

SEBI Disclosure and Investor Protection Guidelines

- **Confidentiality:** Merchant bankers must protect price-sensitive information and prevent insider trading.



SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003



- **Market Integrity:** Prevent fraudulent or manipulative practices that could mislead investors or manipulate stock prices.

SEBI (Investment Advisers) Regulations, 2013

- Merchant bankers offering investment advisory services must be registered and maintain transparency in fees and services.



RECAP

QUESTIONS???

THANK YOU