

## How NRIs do Online Share Trading in India's Stock Market?

By *NriInvestIndia.com*

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<http://www.NriInvestIndia.com>, [Timesofmoney.com](http://www.Timesofmoney.com), [ICICI Direct](http://www.ICICIDirect.com) – are you wondering what all these are? These are just a few names of some of the best brokerage houses in India that help non-residents (NRIs) to trade in the Indian Share Market. And thanks to technology, online share trading has become one of the easiest things to do IF you have the right brokers helping you. According to us, the following brokerage houses are the best:

- 1) <http://www.nriinvestindia.com>
- 2) <http://www.nricapital.com>
- 3) [Timesofmoney.com](http://www.Timesofmoney.com)
- 4) <http://www.nriinvestmentsindia.com>
- 5) [ICICI Direct](http://www.ICICIDirect.com)

Having said so, we would also like to warn you that we have only taken into account the ONLINE trading resources these companies offer. We do not take any guarantee or responsibility of their OFFLINE trading facilities. However, for investing in Initial Public Offerings (IPO), we feel 'sharekhan' is best as it allows clients to place orders till 2-3 p.m. on the final day of subscription of IPOs.

Friends and clients alike often ask us as to how they can start investing in the Stock Market directly. Investing in stock market is very simple, more so if you follow the four simple steps given below for the same:

**Step 1:** Apply for a PAN online if you do not have one and you will get your PAN within a week.

**Step 2:** You will need a bank account for trading in the stock market. A HDFC Bank NRI Account is recommended.

**Step 3:** Once you have a PAN card, open a demat account (this is necessary for trading) with any bank or a brokerage firm.

**Step 4:** Lastly, you need to have an online stock market trading account for investing in the stock market directly.

Please note that its important to link your bank account, demat account and online trading account. The online trading account and demat account may be opened with the same brokerage firm and the firm may be given power of attorney to operate your bank account as this would save you the paperwork. We would also like to warn you about the fact that investment brings with it risks. Please be careful while investing else your entire capital money will be washed away. Investors can now also invest in IPOs by the click of a button thanks to technology. An overview of NRI Services and about the Indian Share market wouldn't be

out of place here.

The Indian Share Market has 22 regional exchanges, in addition to the Bombay Stock Exchange (BSE) and National Stock Exchange of India Ltd. (NSE) – the two primary and pivotal exchange houses of India. The BSE and NSE together account for almost 80% of the equity trade in India. The average daily turnover has increased from Rs.851 crore in 1997-98 to Rs.2, 273 crore in 1999-2000. While the NSE has a total of 1,500 shares having a market capitalisation of Rs.9, 215 billion, the BSE has a total of 6,000 shares having a market capitalisation of Rs.9, 680 billion! Mostly, almost all the stocks are available on both and hence the investor can buy stock from either. Also both having a different settlement cycle, the investor can shift his position as per convenience. The BSE Sensex (primary index of BSE) comprises thirty stocks while the Nifty (primary index of NSE) comprises fifty. However, it's the BSE Sensex that's more widely followed. Both BSE Sensex and Nifty are calculated on the basis of market capitalisation and contain the heavily traded shares from key sectors. Please note that the market is closed on Saturdays and Sundays. For the convenience of investors, both BSE and NSE have switched over to an automated computerised mode of trading known as BSE On Line Trading (BOLT) and National Exchange Automated Trading (NEAT).

The stocks traded on BSE have been classified into the following groups:

**Group A:** Shares in the carry forward system (Badla)

**Group C:** Odd securities in group A, B1 and B2 and Rights renunciations.

**Group F:** Represents debt market segment (fixed income securities)

**Group Z:** Blacklisted companies

The Securities and Exchange Board of India (SEBI) governs the stock exchanges, depositories, depository participants, mutual funds, etc.

#### **ROLLING SETTLEMENT CYCLE:**

A rolling settlement is typical to each trading day being taken as a trading period. Trades executed during the day are settled based on net obligations for the day. At NSE and BSE, trades in rolling settlement are traded on a T+2 basis, that is the second working day. For example, trades taking place on Monday are settled on Wednesday, those taking place on Tuesday are settled on Thursday and so on. All intervening holidays, Saturdays, Sundays, Bank holidays, Government holidays etc are excluded for arriving at the settlement.

#### **Going Short:**

Selling off your shares is known as 'going short'. Generally an investor would do so if he expects the prices to decline. In a rolling settlement cycle you will have to cover by end of the day on which you have gone short.

#### **Concept of Margin Trading:**

To buy share you need money and to sell you need shares in your demat account. But if you do not have the full amount or shares, you have to cover your sale/purchase transaction by a sale/purchase transaction before the close of the settlement cycle. You will make a profit in case the price during the settlement moves in your favour (increases if you are buying the shares and decreases if you are selling) and you will receive the payment from the exchange. If the contrary happens you will suffer a loss and you will have to pay the exchange. It is for this reason that margins (quotes as a percentage of the value of the transaction) are collected to safeguard against any adverse price movement.

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About NriInvestIndia.com:

Here at NriInvestIndia.com we focus in delivering value service to our NRI clients when it comes to their investments in the Indian stock markets – NSE & BSE. Our equity & mutual fund investment advising is structured to suit the investment objectives of the non resident Indian investor in a long run (including PIOs and OCIs).

Category Business, Finance, Banking

Tags nri invest india, brokerage houses, online share trading, nri investing, pan card, demat account, stock market trading account

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