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BLOCK 4: INTERNATIONAL FINANCIAL MANAGEMENT This block explains the role of international financial markets and the significance of international trade in the wake of globalization. With the increase in the cross border trades, companies from different economies trade exchanging various products and services with variety of currencies. This unit outlines the significance of international trade, various international theories propounded, the relevance of various trade barriers, financing imports and exports and balance of payments. Unit 12 deals with International Financial Markets and Instruments. The dynamics of market is dependent on various events; some will have short-term impact and some will have impact on long term basis. Various short-term and long term instruments were discussed. Unit 13 deals with International Equity Investments. It outlines equity instruments in international market to finance long term investments in corporates. Unit 14 deals with Short-term Financial Management. It discusses exclusively with cash management in MNCs. Unit 15 deals with International Accounting and Taxation. The unit speaks about taxation and accounting standards in international transactions. The corporate entities have to follow the accounting guidelines set by various regulatory bodies. iii

Unit 12 International Financial Markets and Financial Instruments Structure 12.1 Introduction 12.2 Objectives 12.3 Origin of International Financial Markets 12.4 Instruments available in International Financial Markets 12.5 Players in International Financial Markets 12.6 Resource Mobilization – The Decision Criteria 12.7 Equity Instruments 12.8 Debt Instruments 12.9 Euro Credit Syndication 12.10 Strategic Considerations 12.11

Summary 12.12 Glossary 12.13 Self-Assessment Test 12.14 Suggested Readings/Reference Materials 12.15 Answers to Check Your Progress Questions "

An open, competitive, and liberalized financial market can effectively allocate scarce resources in a manner that promotes stability and prosperity far better than governmental intervention" - Henry Paulson, Former United States Secretary of the Treasury 12.1 Introduction Countries with efficient financial markets can bring more stability and prosperity more than what government can do. In the previous unit we discussed about how FDIs are meeting the requirement of funding by some of corporate entities. Foreign Direct Investments facilitate the international investors in equity participation of the domestic companies where as Foreign Portfolio Investments facilitate international investors to participate in the equity of the domestic companies through secondary market operations. International investors use various methods to arrive to their investment decisions. The previous unit discussed various appraisal methods including Adjusted Present Value (APV) approach for evaluating a foreign project.

Block 4: International Financial Management 2 This unit discusses some other investment avenues that are open to international investors. The funds requirement is coming from developing countries. The developed countries are looking for more funds from external sources as

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the gap between savings and investment is widening gradually in their domestic markets. The growing demand for

new and additional capital is forcing

92%	MATCHING BLOCK 9/335	W

the developing economies to depend on external sources for debt or equity capital. The need for external borrowings in a country's economy can be gauged from the National Income and Balance of Payments (BoP) position. From the macro economic theories, the current account surplus or deficit in BoP of a country is nothing but the difference between the domestic savings and domestic investments. If the domestic savings exceed domestic investment, a surplus in current account would result

in

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increasing the reserves of the country. A deficit in current account would emerge if the domestic savings is less than domestic investment. ?

If there is a shortfall in the investments what are the avenues available for the corporate entities? ? If the cost of borrowing is relatively low in the overseas markets, would the corporates prefer overseas funds? ? What are the risks faced by corporate entities if the funds were mobilized from overseas markets? This unit will deal with some of the nuances of international financial markets and operational issues corporates encounter in dealing with various financial instruments in international financial markets. Based on various components of BoP statement

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the sources of external funds can be broadly classified into the following categories: i. External assistance in the form of aid ii. Commercial borrowings iii. Short-term credit iv.

Non-resident deposits v. Foreign Direct Investment (FDI)

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The flow of external funds into a country depends on various factors like the policy guidelines of the country on commercial borrowings by individual entities, the exchange control regulations of the country, the interest rate ceilings in the financial sector and the structure of taxation. The integration of financial markets across countries has opened the international markets and large variety of financial instruments has emerged to suit the changing needs of the international investors. In this unit, we discuss various instruments that are available in international financial markets.

Unit 12: International Financial Markets and Financial Instruments 3

66%	MATCHING BLOCK 8/335	W

Financial markets across countries facilitate financial intermediation/dis- intermediation and transfer of surplus funds from the savers to the deficit units. The gradual liberalization of the financial sector in the developing countries provided multiple instruments to the savers and the issuers. This converged the needs of the suppliers of the resources with that of the

users of the resources. 12.2

70%	MATCHING BLOCK 10/335	W

Objectives After studying this unit, you should be able to: ? State the origin of international

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After studying this unit, you should be able to: ? State the origin of international financial markets ? Analyse the financial instruments available in the international financial markets ? Identify the players in international financial markets ? Discuss the

37%	MATCHING BLOCK 16/335	W

After studying this unit, you should be able to: ? State the origin of international financial markets ? Analyse the financial instruments available in the international financial markets ? Identify the players in international financial markets ? Discuss the

critical components of entering an overseas market by mobilizing the company's resources ? Discuss various types of international equity and debt instruments ? Explain the process of Euro credit syndication ? Narrate the strategic considerations of each of the financial instruments traded in the overseas market. 12.3

91%	MATCHING BLOCK 12/335	W

Origin of International Financial Markets The genesis of the present international markets can be traced back to

the 1960

90%	MATCHING BLOCK 13/335	W

s, when there was a real demand for high quality Dollar-denominated bonds from wealthy Europeans (and others) who wished to hold their assets outside their home countries or in currencies other than their own. These investors were driven by the twin concerns of avoiding taxes in their home country and protecting themselves against the falling value of domestic currencies. The bonds which were then available for investment were subjected to withholding tax. Further, it was also necessary to register the ownership of the bonds. Dollar denominated Euro-bonds were designed to address these concerns. These were issued in bearer forms and so, there was no record of ownership and no tax was withheld. Also, until the 1970s, the international capital markets focused on debt financing and equity finances were raised by the corporate entities primarily in the domestic markets. This was due to the restrictions on cross-border equity investments prevailing until then in many countries. Investors too preferred to invest in domestic equity issues due to perceived risks implied in foreign equity issues either related to foreign currency exposure or related to apprehensions of restrictions on such investments by the regulators. The world economy underwent through substantial changes since the 1970s. We have

been witnessing an increased liberal orientation in policy-making, followed by growing volumes of international trade, Foreign Direct Investment (FDI) and

Block 4: International Financial Management 4 other financial flows, and novel forms of economic integration promoted by developments in information technologies. 1 Global FDI flows in 2021 were US$1.6 trillion, up 64.3 per cent from the exceptionally low level in 2020. The 2021 recovery brought growth in FDI in all regions. FDI as a ratio to gross fixed capital formation (GFCF) rose from 4.3 per cent in 2020 to 7.1 per cent in 2021. In 2021, developed economies more than tripled their investment abroad to US$1.3 trillion, from US$408 billion in 2020. The value of FDI outflows from developing economies rose by 17.8 per cent to US$438 billion. Developing Asia and Oceania remained a major source of investment flows even during the pandemic. The concept of liberalization started during late 1970s after the oil crisis in 1977.

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This was the period which saw the removal of exchange controls by countries like the UK, France and Japan which gave a further boost to financial market operations. In addition to this, the application of new technology to financial services, the institutionalization of savings and the deregulation of markets have played an important role in channelizing funds from surplus units to deficit units across the globe. The international capital markets also became a major source of external finance for nations with low internal savings. The markets were classified into Euro market, American (

US)

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market and other foreign markets. The following Figure 12.1 shows the various sources of external finance and various channels for accessing external funds. Figure 12.1:

100%	MATCHING BLOCK 18/335	W

market and other foreign markets. The following Figure 12.1 shows the various sources of external finance and various channels for accessing external funds. Figure 12.1:

Mode of Financing

85%	MATCHING BLOCK 17/335	W

External Funds IMF IFC ADB Country Funds Global Mutual Funds Pension Funds Commercial Banks, etc. Surplus Units

85%	MATCHING BLOCK 19/335	W

External Funds IMF IFC ADB Country Funds Global Mutual Funds Pension Funds Commercial Banks, etc. Surplus Units

Deficit Units International Financial Markets Money Markets Capital Markets Source: ICFAI Research Center 1 UNCTAD Handbook of Statistics, 2022 - https://unctad.org/system/files/official-document/tdstat47_en.pdf

Unit 12: International Financial Markets and Financial Instruments 5 Example: The First Indian Software Maker to List on Nasdaq Freshworks Inc., a start-up was the first Indian software company to list on Nasdaq. The company raised

44%	MATCHING BLOCK 20/335	W

over $1.03 billion in its initial public offering (IPO) and achieved a market capitalisation of $10.13 billion. This had given a great hope for start-ups who expect the floodgates for other mega product companies from the country.

76%	MATCHING BLOCK 21/335	W

The Freshworks IPO sold 28.5 million shares at $36 apiece, up from the marketed range of $32-34 and surged on listing, rising as much as 33% to $48 in initial trade on Nasdaq.

There was a rush among Indian companies to list abroad. There was a long list of unicorns waiting to get listed in international markets to uncover more riches and these companies were not just from the IT,

100%	MATCHING BLOCK 23/335	W

e-commerce or internet space, but from a variety of sectors, such as fintech, logistics, gaming, education, mobility, insurance and software-as-a-

service. There were more than 14 Indian companies got their ADRs and 10 Indian companies through GDRs listed in international markets. The Indian government's favourable policy regime and robust business environment had ensured that not only foreign capital keeps flowing into the country, but encouraged Indian companies to raise funds in international markets Sources: i) https://economictimes.indiatimes.com/

100%	MATCHING BLOCK 22/335	W

tech/startups/freshworks-lists-on-nasdaq-after- billion-dollar-ipo/

articleshow/86428640.cms dated 22nd September 2021, ii) https://www.livemint.com/

100%	MATCHING BLOCK 27/335	W

opinion/columns/the-strange-rush-among-indian-companies-to-list- abroad-11628698094945.

html dated 12th August 2021. iii) https://groww.in/blog/how-do-indian-companies-list-on-foreign-exchanges dated 16th November 2021; Date of access- 31 st July 2022 12.3.1 India's Presence in International Markets

100%	MATCHING BLOCK 24/335	W

There has been a total turnaround in the market sentiment for Indian paper since 1991-1992 – albeit with a difference.

Due to liberalization of the economy in 1991,

100%	MATCHING BLOCK 25/335	W

India has made its presence felt in the international financial markets though to a very small extent.

Very few Indian companies have their GDR/ADRs listed in the international

99%	MATCHING BLOCK 26/335	W

markets. So far, the traditional avenues for raising capital abroad have been through bank borrowings, syndicated loans, lines of credit, bonds and Floating Rate Notes. Access to international capital markets was only through debt instruments and was mostly limited to financial institutions and public sector units, although there were a few cases of private companies also. With the downward revision of India's credit rating to the non-investment grade, borrowing in the international capital markets dried up with most of the lenders being off-limits (crossing the exposure limit) on India. The picture has since changed. 2

99%	MATCHING BLOCK 28/335	W

markets. So far, the traditional avenues for raising capital abroad have been through bank borrowings, syndicated loans, lines of credit, bonds and Floating Rate Notes. Access to international capital markets was only through debt instruments and was mostly limited to financial institutions and public sector units, although there were a few cases of private companies also. With the downward revision of India's credit rating to the non-investment grade, borrowing in the international capital markets dried up with most of the lenders being off-limits (crossing the exposure limit) on India. The picture has since changed. 2

The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The 2 https://www.ibef.org/economy/foreign-direct-investment.aspx
Block 4: International Financial Management 6 government has taken many initiatives such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others. India's FDI inflows reached record levels during 2020- 21.

100%	MATCHING BLOCK 35/335	W

According to the World Investment Report, 2022, India was ranked eighth among the world's major FDI recipients in 2020-21, up from

the ninth position the country held in 2019-20. Some of the reasons for this increase are: ?

100%	MATCHING BLOCK 29/335	W

Improved perception of India's economic reforms ? Improved export performance ? Modest to healthy economic indicators ? Inflation contained to single digit ? Improved forex reserves position ?

Improved performance of Indian companies ? Improved confidence of Foreign Portfolio Investors (FPIs)

100%	MATCHING BLOCK 30/335	W

in the economy ? Lack of investment opportunities worldwide and ? Decline in

the rate of return on investments in developed markets. 12.4

96%	MATCHING BLOCK 31/335	W

Instruments available in International Financial Markets As in any domestic capital structuring we can segregate international financing into two broad categories. These are: i. Equity financing, and ii. Debt financing. The instruments

that are

93%	MATCHING BLOCK 32/335	W

used to raise funds abroad include equity, straight debt or hybrid instruments. The Figure 12.2 exhibits the classification of international capital markets based on instruments used and market(s) accessed. Figure 12.2:

93%	MATCHING BLOCK 33/335	W

used to raise funds abroad include equity, straight debt or hybrid instruments. The Figure 12.2 exhibits the classification of international capital markets based on instruments used and market(s) accessed. Figure 12.2:

63%	MATCHING BLOCK 34/335	W

Classification of International Capital Markets Source: ICFAI Research Center International Capital Markets International Bond Market International Equity Market Foreign Bonds Eurobond Foreign Equity Euro Equity Yankee Bonds

Samurai Bonds Bulldog Bonds Masala bonds Quasi Instruments (FCCB etc.) – Euro/Dollar – Euro/Yen – Euro/Pounds – ADR – IDR/EDR – GDR

Unit 12: International Financial Markets and Financial Instruments 7 Example: HDFC Bank Issues ₹-Denominated Bonds (Masala Bonds) Overseas ₹ 739 crore was raised overseas through ₹-denominated Masala bonds by HDFC Bank on 30 th September 2021. The bank used the proceeds of Masala bonds for banking activities. These bonds were

58%	MATCHING BLOCK 36/335	W

the subordinated additional tier I bonds and Basel III norms compliant. These bonds were unrated and unsecured and carried a coupon rate of 7.55 per cent. These bonds were listed on the India International Exchange (IFSC) Ltd.

62%	MATCHING BLOCK 39/335	W

The ₹-denominated bonds, were known as masala bonds, that were issued outside India and not in their local currency but

in ₹ Source: https://economictimes.indiatimes.com/

100%	MATCHING BLOCK 37/335	W

markets/bonds/hdfc-bank-raises-rs-739-crore-via- masala-bond/

articleshow/86665791.cms dated 1st October 2021, Date of access- 31 st July 2022 12.4.1

89%	MATCHING BLOCK 38/335	W

Debt Instruments The issue of bonds to finance cross-border capital flows has a history of over 150 years. In the 19 th century, foreign issuers of bonds, mainly governments and railway companies, used the London market to raise funds. International bonds are broadly classified into two categories: Foreign Bonds: Foreign bonds are the bonds floated in the domestic market denominated in domestic currency by non-resident entities. Dollar denominated bonds issued in the US domestic markets by

the non-US companies are known as '
Yankee Bonds'. Bonds denominated in Yen,

90%	MATCHING BLOCK 42/335	W

issued in the Japanese domestic market by the non-Japanese companies are known as 'Samurai Bonds'

and Bonds denominated in pound that are issued in the UK by the

95%	MATCHING BLOCK 40/335	W

non-UK companies are known as 'Bulldog Bonds'. Similarly, currency sectors of other foreign bond markets have special names like Rambrandt Dutch Guilder, and Matador Spanish Peseta, etc. Eurobonds: The term 'Euro' originated in the fifties when the USA under the 'Marshall Plan' was assisting the European countries in the rebuilding process after the devastation caused by the Second World War. The Dollars that were in use outside the US came to be called as "Eurodollars". In this perspective, the term 'Euro' signifies a currency outside its home country. The term 'Eurobonds' thus refers to bonds issued and sold outside the home country of the currency. For example, a Dollar denominated bond issued in the UK is a Euro (Dollar) bond, similarly, a Yen denominated bond issued in the US is a Euro (Yen) bond. Companies wishing to come out with shorter maturities have an option to issue

Euro notes

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in the European markets. The important ones being Commercial Paper (CP), Note Issuance Facilities (NIF) and Medium-Term Notes (MTNs).

Block 4: International Financial Management 8

93%	MATCHING BLOCK 43/335	W

Euro-Commercial Paper issued with maturity of up to one year, is not underwritten and is unsecured. Note Issuance Facilities (NIFs) are underwritten and have a maturity of up to one year. Standby NIFs are those formally designated instruments which back Commercial Paper (

CP)

95%	MATCHING BLOCK 44/335	W

to raise short-term finances. A variation of NIF is the Multiple Component Facility (MCF), where a borrower is enabled to draw funds in several ways, as a part of overall NIF program. These options are referred to as short-term advances and banker's acceptances, and afford opportunities for choosing the maturity, currency and interest rate basis. Medium-Term Notes (

MTNs),

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on the other hand, are non-underwritten and are issued for maturities of more than one year with several tranches depending upon the preferred maturities. It is to be noted that in similar circumstances, a typical CP program allows for a series of note issues having regard to the maturity of the overall program. The borrowings in international capital markets are in the form of Euro loans which are basically loans from

a

100%	MATCHING BLOCK 46/335	W

bank to the companies which need long-term and medium-term funds. Broadly, two distinct practices of arranging syndicated credits have emerged in Euromarkets, club loans and syndicated loans. The 'Club Loan' is a private arrangement between lending banks and a borrower. When the loan amounts are small, and the parties are familiar with each other; lending banks form a club and advance a loan - hence the name of 'Club Loan'. Syndicated Euro credit, however, has a full-fledged public arrangement for organizing a loan transaction. It is treated as an integral part of the financial market mechanism with

100%	MATCHING BLOCK 47/335	W

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the participation of

89%	MATCHING BLOCK 48/335	W

a wide network of banks. Typically, a syndicated loan is available for a maturity of seven years with shorter period transactions having a maturity of 3 to 5 years. 12.4.2 Equity Instruments Until the end of

92%	MATCHING BLOCK 49/335	W

the 1970s, international capital markets focused on debt financing and equity finances were raised by the corporate entities primarily in the domestic markets. This was due to restrictions on cross-border equity investments prevailing until then in many countries. Investors too preferred to invest in domestic equity issues due to

the

82%	MATCHING BLOCK 50/335	W

perceived risks implied in foreign equity issue either related to foreign currency exposure or related to apprehensions of restrictions on such investments by the national authorities. Early '80s witnessed liberalization of many domestic economies and their globalization as well. Issuers from developing countries, where issue of foreign currency/Dollar denominated equity shares were not permitted, were then able to access international equity markets through the issue of an intermediate instrument called 'Depository Receipt' (

82%	MATCHING BLOCK 51/335	W

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DR).
Unit 12: International Financial Markets and Financial Instruments 9 A

77%	MATCHING BLOCK 52/335	W

DR is a negotiable certificate issued by a depository bank. It represents the beneficial interest in shares issued by a company. These shares are deposited with a local 'custodian' appointed by the depository and receives receipts against such deposit. According to the placements planned, DRs are classified into: (i) Global Depository Receipts (GDRs) (ii) American Depository Receipts (ADRs) (iii) International Depository Receipts (IDRs) Each of the DRs represents a prescribed number of shares in the domestic markets. Generally, in countries with capital account convertibility, the domestic shares and GDRs are convertible. They may be redeemed mutually. This exhibits that, an equity shareholder may deposit

a

94%	MATCHING BLOCK 53/335	W

specified number of shares and obtain a GDR and vice versa. The holder of GDR is entitled to a dividend on the value of the underlying shares of the GDR (issued normally in the currency of the investor country). As far as Indian companies are concerned, the dividends are announced as a percentage of the value of GDR sans premium in Rupee terms converted at the prevailing exchange rate. However, until the Global Depository Receipts (GDRs)/American Depository Receipts (ADRs)/International Depository Receipts (IDRs) are converted, the holder cannot claim any voting rights and there is

also

90%	MATCHING BLOCK 54/335	W

no foreign exchange risk for the company. These types of instruments are ideal for companies which prefer a large shareholder base and international presence. Further, the company will be listed at the prescribed stock exchanges providing liquidity for the instrument. 12.4.3 Quasi-instruments These instruments are considered as debt instruments for a timeframe and are converted into equity at the option of the investor (or at company's option) after the expiry of that particular timeframe. The examples of these are 'Warrants', Foreign Currency Convertible Bonds (FCCBs), etc. 'Warrants' are generally issued along with other debt instruments to act as a 'sweetener'.

Foreign Currency Convertible Bonds

79%	MATCHING BLOCK 55/335	W

have a fixed coupon rate with a legal payment obligation. It has greater flexibility with the conversion option. This will be at the choice of the investor – to equity. The conversion price of the FCCB closely resembles the trading price of the shares at the stock exchange. Also, the company may incorporate a 'call option' at the choice of the issuer to obtain FCCBs before maturity. This may be due to adverse market conditions, changes in the shareholding pattern, changes of tax laws, etc.

In Indian context, FCCBs have been defined by RBI as "bonds issued
by an Indian company expressed in foreign currency, and the principal and interest

in respect
Block 4: International Financial Management 10 of which is payable in foreign currency." In addition, India also has Foreign Currency Exchangeable Bond (FCEB) which is a bond expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency, issued by an Issuing Company and subscribed to by a person who is a resident outside India, in foreign currency and exchangeable into equity share of another company, to be called
the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments.

96%	MATCHING BLOCK 56/335	W

A 'Euro Convertible Bond' is issued for investments in Europe. It is a quasi- equity issue made outside the domestic market and provides the holder with an option to convert the instrument from debt to equity. An added feature now-a- days is to allow conversion of 'Euro Convertible Bond' into GDR. Till conversion, interest is paid in US Dollars and bond redemption is also done in US Dollars, thus while the investor would prefer the convertible bond as an investment instrument, the issuing company tends to prefer a GDR. An investor can exercise the conversion option at any time or at specified points during the convertible life. The investor exchanges the convertible bond for a specified number of shares. 12.5 Players in International Financial Markets Borrowers/Issuers, Lenders/Investors and Intermediaries are the major players in the international markets. The role of these players is discussed below. 12.5.1 Borrowers/Issuers These primarily are corporates, banks, financial institutions, government and quasi-government bodies and supranational organizations, which need forex funds for various reasons. The important reasons for corporate borrowings are, need for foreign currencies for operations in markets abroad, dull/saturated domestic market and expansion of operations into other countries. Governments borrow in the global financial markets for adjusting the balance of payments mismatches, to gain net capital investments abroad and to keep a enough inventory of foreign currency reserves for contingencies like supporting the domestic currency against speculative pressures. Further, the supranational organizations like the International Monetary Fund (IMF), World Bank, International Finance Corporation (IFC), Asian Development Bank (

ADB) etc., borrow

100%	MATCHING BLOCK 57/335	W

usually, long-term funds to finance diversified financing, sometimes linked to swaps for hedging current/interest rate exposures. These supranationals are also typical examples of large entities appearing in the global markets as both issuers and

borrowers.
Unit 12: International Financial Markets and Financial Instruments 11 12.5.2 Lenders/Investors In the case of Euro-loans, the lenders

89%	MATCHING BLOCK 58/335	W

are mainly banks who possess inherent confidence on the credibility of the borrowing corporate or any other entity mentioned above. In case of a GDR, it is the institutional investors and high net worth individuals (referred as 'Belgian Dentists') who subscribe to the equity of the corporates. For an ADR, it is the institutional investor or the individual investor through the Qualified Institutional Buyer (QIBs) who puts in the money in the instrument depending on the statutory status attributed to the ADR as per the statutory requirements of the land. Investors in global markets come in large numbers to invest that suits their own requirements, investment objectives

and

97%	MATCHING BLOCK 59/335	W

risk-taking abilities and liabilities. The investor range includes private individuals investing through Swiss banks, the IMF and the World Bank. The other major investors are insurance companies, professional pension fund managers and investment trusts. In the United Kingdom, with London still a major force in the international finance market, it is the pension funds and insurance companies which are the major investors in the equity markets and bond markets. In the USA and Japan, the private players have an important role in the equity markets. In Germany, on the other hand, commercial banks play a dominant role as investors. Institutional investors can also be classified as: ? Market Specific Investors: Specialize in specific instruments like equity, convertibles, fixed interest bonds, floating rate bonds, etc. ? Time Specific Investors: Specialize in specific maturity instruments like long-term, medium-term, short-term, etc. ? Industry Specific Investors: Specialize in specific industries like chemical, pharmaceutical, steel, automobiles, etc.

Example: Japanese Government Pension Fund will not Include Yuan Dominated China Sovereign Debt in its Portfolio The world's largest pension fund, the

54%	MATCHING BLOCK 60/335	W

Japan's "Government Pension Investment Fund" (GPIF) had decided that it would not include yuan- denominated Chinese sovereign debt in its portfolio. The

pension fund would use the World Government Bond Index which excluded Chinese government bonds. The main reason for excluding Chinese sovereign debt funds were issues surrounding settlement, liquidity, stability of the Chinese government, the debt crisis at the Chinese builder Evergrande group. These factors weighed on the fund's investment decision by GPIF. Further there had been a steady deterioration in the China-Japan relationship. The pension fund had decided not to invest in any yuan-dominated Chinese bonds but would invest in euro- dominated Chinese sovereign notes in its portfolio. Contd....
Block 4: International Financial Management 12 Pension funds worldwide were the largest investors in international market and the assets of pension funds continued to grow with over $ 56 trillion an 11% increase YoY. This growth was supported by an increase in the number of people participating in a retirement savings plan, an increase in the overall contributions into these plans and positive investment returns in many countries. Sources: i) https://www.business-standard.com/article/international/

100%	MATCHING BLOCK 74/335	W

world-s-biggest-pension- fund-won-t-buy-china-sovereign-debt-report-121092901516_1.

html dated 21 st September 2021, \ ii) https://www.oecd.org/finance/private-pensions/pensionmarketsinfocus.htm dated 10.06.2022; Date of access- 31 st July 2022 12.5.3

93%	MATCHING BLOCK 61/335	W

Intermediaries The intermediaries involved in international capital markets include lead managers/co-lead managers, underwriters, agents and trustees, lawyers and auditors, listing agents and stock exchanges, depository banks and custodians. An overview of the functions performed by each of them is given below: i. Lead and Co-managers: The responsibilities of a lead manager include undertaking due diligence and preparing the offer circular, marketing the issues including arranging roadshows. Lead manager, sometimes in consultation with the issuer, can choose to invite a syndicate of investment banks to buy some of the Bonds/Depository Receipts (DRs) and help sell the remainder to other investors. 'Co-managers' are thus invited to join the deal, each of whom agrees to take a substantial portion of the issue to sell to their investor clients. Quite often, there will be more than one lead manager as mandates are sometimes jointly won, or the investment bank which won the mandate from the issuer may decide that it needs another institution to ensure a successful launch. Two or more managers may also reflect the fact that a geographical spread of placing power is required or deemed appropriate. One of the lead managers will 'run the books' for the issue. This, essentially involves arranging the whole issue, sending out invitation telexes, allotting Bonds/DRs, etc. ii. Underwriters: The lead manager(s) and co-managers act as underwriters for the issue. They take the risk of markets/interest rates moving against them before they have placed DRs/

93%	MATCHING BLOCK 62/335	W

Bonds. Lead manager(s) may also invite additional investment banks to act as sub-underwriters, thus, forming a larger underwriting group. A third group of investment banks may also be invited to join the issue as members of selling group. These institutions only receive a commission in respect of any DRs/Bonds sold and do not act as underwriters. The co-managers and the underwriters are also members of the selling group. (Refer Figure 12.3).

93%	MATCHING BLOCK 63/335	W

Bonds. Lead manager(s) may also invite additional investment banks to act as sub-underwriters, thus, forming a larger underwriting group. A third group of investment banks may also be invited to join the issue as members of selling group. These institutions only receive a commission in respect of any DRs/Bonds sold and do not act as underwriters. The co-managers and the underwriters are also members of the selling group. (Refer Figure 12.3).

Unit 12: International Financial Markets and Financial Instruments 13 Figure 12.3: Financial Intermediaries

62%	MATCHING BLOCK 64/335	W

Selling Group Lead Manager Co-Manager Underwriting Group Source: ICFAI Research Center iii. Agents and Trustees:

Agents and Trustees act as intermediaries. They

71%	MATCHING BLOCK 65/335	W

are involved in the issue of convertibles/bonds. The issuer, in association with the lead manager, appoints 'paying agents' in different financial centers. The appointed person will arrange for the payment of interest and principal due to investors under the issue terms. These paying agents will be

the

100%	MATCHING BLOCK 66/335	W

banks. iv. Lawyers and Auditors: The lead manager will appoint a prominent firm of solicitors to draw up documentations evidencing

the issue of

97%	MATCHING BLOCK 67/335	W

DRs/Bond. The draft documents will be scrutinized by lawyers acting for the issuer and in due course by the co-managers and any other party signing a document related to the issue. Many of these documents are prepared in standard forms, but each needs to be reviewed carefully to ensure that all parties to the transactions are fully satisfied with the wording. The issuer will also appoint legal advisors to seek advice on matters pertaining to Indian/ English/ American (

97%	MATCHING BLOCK 68/335	W

DRs/Bond. The draft documents will be scrutinized by lawyers acting for the issuer and in due course by the co-managers and any other party signing a document related to the issue. Many of these documents are prepared in standard forms, but each needs to be reviewed carefully to ensure that all parties to the transactions are fully satisfied with the wording. The issuer will also appoint legal advisors to seek advice on matters pertaining to Indian/ English/ American (

US)

97%	MATCHING BLOCK 69/335	W

law and to comment on necessary legal documentation. Auditors or reporting accountants will become involved as well, supplying financial information, summaries and an audit report which will be incorporated into the 'offering circular'. The auditors provide comfort letters to the lead manager on the financial health of the issuer. Further, they also provide a statement of difference between the UK and the Indian GAAP in case of GDR issue. v. Listing Agents and Stock Exchanges: The listing agent facilitates the documentation and listing process for listing on stock exchanges and keeps on file, information regarding the issuer such as annual reports, 'Articles of Association', the depository agreement, etc. The Stock Exchange (Luxembourg/London/AMEX/NYSE) as the case may be) reviews the issuer's application for listing of the Bonds/DRs and provides comments on offering circular prior to accepting the securities for listing. vi. Depository Bank: Depository bank is involved only in the issue of DRs. It is responsible for issuing the actual DRs, disseminating information from the issuer to the DR holders, paying any dividends or other distributions and facilitating the exchange of DRs into underlying shares when presented for redemption. vii. Custodian: The custodian holds the shares underlying DRs on behalf of the depository and is responsible for collecting Rupee dividends on the

Block 4: International Financial Management 14

92%	MATCHING BLOCK 70/335	W

underlying shares and repatriation of the same to the depository in the US dollars/foreign currency. viii. Printers: The printers are responsible for printing and delivery of the preliminary and final offering circulars as well as the DRs/bond certificates. 12.6

Resource Mobilization – The Decision Criteria Resource mobilization at a

100%	MATCHING BLOCK 71/335	W

competitive cost is a critical issue which confronts every management. In the past, Indian companies could access only the domestic capital market. Liberalization process has opened new avenues for Indian companies in terms of markets and instruments.

For an Indian company, the choice between the domestic and international market would depend on several criteria. They are: i.

92%	MATCHING BLOCK 72/335	W

Currency Requirements: A decision must be taken about the currency needs of the company, keeping in view the future expansion plans, capital imports, export earnings/potential export earnings. A conscious view on the exchange rate also needs to be taken. ii. Pricing: Pricing of an international issue would be a factor of interest rates and the value of the underlying stock in the domestic market. Upon these factors, the issue price conversion (for convertible) premium would be

determined.

91%	MATCHING BLOCK 73/335	W

It is possible to take advantage of the low interest rates that are existing in the international markets.

That is because of

100%	MATCHING BLOCK 75/335	W

given the arbitrage available between interest rates in Rupees and say,

the US
Dollars; given the strength of the Rupee as well as the resilience a company can have in its operations against exchange fluctuation risk, due to export earnings. This

95%	MATCHING BLOCK 76/335	W

is possible without dilution of the value of the underlying stock. Because, in the case of international issues, open pricing/book building is possible. This has the advantage of allowing the company to maximize the proceeds, enabling the foreign investors to set the premium ensuring transparency and creating price tension. iii. Investment: At present, greater flexibility is available in structuring an international issue in terms of pure equity offering, a debt instrument or a hybrid instrument like Foreign Currency Convertible Bond (FCCB). Each company can take a view on instrument based upon the financials of the company and its plans.

Example: Foreign Currency Convertible Bond Holders (FCCB) of India Bulls Housing Finance India bulls Housing Finance had issued

97%	MATCHING BLOCK 77/335	W

over 30 lakh shares at ₹ 234.05 apiece to the holders of foreign currency convertible bonds (FCCBs) worth USD 10 million.

97%	MATCHING BLOCK 78/335	W

over 30 lakh shares at ₹ 234.05 apiece to the holders of foreign currency convertible bonds (FCCBs) worth USD 10 million.

Contd....
Unit 12: International Financial Markets and Financial Instruments 15 The company had issued and allotted 30,25,126 fully paid-up equity shares. Post

77%	MATCHING BLOCK 79/335	W

allotment, the paid-up equity share capital of the company increased to₹ 93,71,43,008 comprising of 46,85,71,504 fully paid equity shares.

77%	MATCHING BLOCK 87/335	W

allotment, the paid-up equity share capital of the company increased to₹ 93,71,43,008 comprising of 46,85,71,504 fully paid equity shares.

Post conversion and allotment of equity shares, the outstanding principal value of FCCBs, stands at $ 145,000,000.($ 14,50,00,000) Foreign Currency Convertible Bonds was a debt instrument issued in a currency other than a home currency Sources: i) https://www.moneycontrol.com/news/business/

100%	MATCHING BLOCK 80/335	W

indiabulls-housing-finance-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders-8245681.

88%	MATCHING BLOCK 81/335	W

indiabulls-housing-finance-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders-8245681.

html dated 17th March 2021- Accessed on 2 nd December 2022 ii) https://economictimes.indiatimes.com/

100%	MATCHING BLOCK 83/335	W

markets/stocks/news/indiabulls-housing-fin-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders/

88%	MATCHING BLOCK 82/335	W

indiabulls-housing-fin-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders/

articleshow/90295579.cms dated 17th March 2022, Date of access- 31 st July 2022

81%	MATCHING BLOCK 84/335	W

iv. Depth of the Market: Relatively larger issues can be floated, marketed and absorbed in international markets more easily than in the domestic markets. v. International Positioning: Planning for an international offering must be a part of the long-term perspective of a company. An international issue positions the issuing company, for a much higher visibility and an international exposure. Also, it opens new avenues for further fund-raising activities. vi. Regulatory Aspects: For an international issue, approvals are needed from the Indian Government and Reserve Bank of India (RBI – the Apex Bank of India). For a domestic issue, the requirements to be satisfied are those of the Securities and

81%	MATCHING BLOCK 85/335	W

iv. Depth of the Market: Relatively larger issues can be floated, marketed and absorbed in international markets more easily than in the domestic markets. v. International Positioning: Planning for an international offering must be a part of the long-term perspective of a company. An international issue positions the issuing company, for a much higher visibility and an international exposure. Also, it opens new avenues for further fund-raising activities. vi. Regulatory Aspects: For an international issue, approvals are needed from the Indian Government and Reserve Bank of India (RBI – the Apex Bank of India). For a domestic issue, the requirements to be satisfied are those of the Securities and

Exchange Board of India (SEBI – the Capital Market Regulator)

93%	MATCHING BLOCK 86/335	W

and the stock exchanges. vii. Disclosure Requirements: The disclosure requirements for an international issue are more stringent as compared with a domestic issue. The requirements, however, varies upon the market addressed and the place where listing is sought. viii. Investment Climate: The international offering would be affected by factors like the international liquidity and the country risk, which will not have an effect in a domestic issue. With the current country rating, companies must depend upon the strength of their balance sheets to raise funds at competitive rates

in the international markets. Activity 12.1 Adarsh Limited established in 2021, specializes in Business Process Management (BPM) services by offering clients with optimized business solutions. With an annual turnover of ₹ 50 crore, the company wanted to expand its business operations by establishing onsite units in Mumbai and Denmark. What are the critical components that Adarsh Limited must look upon before making a choice between the Indian and international markets in mobilizing the resources for efficient management?

Block 4: International Financial Management 16 Answer: 12.7 Equity Instruments Indian companies can raise foreign currency resources abroad through the issue of ADRs/GDRs, in accordance with the scheme for

56%	MATCHING BLOCK 96/335	W

issue of Foreign Currency Convertible Bonds and Ordinary Shares and guidelines issued by the Government of India thereunder from time to time. 12.7.1

95%	MATCHING BLOCK 88/335	W

Global Depository Receipts (GDRs) The advent of GDRs in India has been mainly due to the 'Balance of Payments' crisis in the early '90s. At that time India did not have enough foreign exchange balance even to meet the requirements of a fortnight's imports. International institutions were not willing to lend because of non-investment credit rating of India. Out of compulsions, rather than by choice, the Government

of India (

93%	MATCHING BLOCK 89/335	W

accepting the World Bank suggestions on tiding over the financial predicament) gave permission to allow fundamentally strong private corporates to raise funds in international capital markets through equity or equity-related instruments.

73%	MATCHING BLOCK 90/335	W

Prior to this, the companies in need of foreign exchange resources or component for their projects had to rely on the Indian Government or otherwise depend partly on financial institutions and partly on the government. These foreign currency loans utilized by the companies (whether through the financial institutions or through

a

97%	MATCHING BLOCK 91/335	W

government agency) were paid from the government allocation from the IMF, World Bank or other governments' credits. This, in turn, created liability for the remittance of interest and principal, in foreign currencies which was to be met by way of earnings through exports and other grants received by the government. However, with a rapid deterioration in the foreign exchange reserves consequent to 3

the '

100%	MATCHING BLOCK 92/335	W

Gulf War' and its subsequent oil crisis, the companies were asked to get their own foreign currencies which led to the advent of the GDRs.

Many of the countries are oil importing countries like India. Generally, such countries encounter current account deficit due to huge imports. India encouraged external commercial borrowing by Indian companies to facilitate the companies to borrow low cost funds from international markets. The Instrument As mentioned earlier, the

100%	MATCHING BLOCK 93/335	W

GDRs are essentially those instruments which possess a certain number of underlying shares in the custodial domestic bank of the 3

International Business Management by Pradip Kumar Sinha, Sanchari Sinha (2009); https://books.google.co.in › books
Unit 12: International Financial Markets and Financial Instruments 17

95%	MATCHING BLOCK 94/335	W

company. That is, a GDR is a negotiable instrument which represents publicly traded local-currency-equity share. By law, a GDR is any instrument in the form of a 'Depository Receipt' or certificate created by the overseas depository bank outside India and issued to non-resident investors against the issue of ordinary shares or FCCBs of the issuing company. Usually, a typical GDR is denominated in

the
US Dollar whereas the underlying shares would be denominated in the local currency of the issuer. GDRs may be – at the request of the investor – converted into equity shares by cancelation of GDRs through the intermediation of the depository and the sale of underlying shares in the domestic market through the local custodian. GDRs, per se, are considered as common equity of the issuing company and are entitled to dividends and voting rights since the date of its issuance. The company effectively transacts with only one entity – the overseas depository – for all the transactions. The voting rights of the shares are exercised by the depository as per the understanding between the issuing company and the GDR holders.
The Procedure The sequence of
events to be followed for issue of GDR takes the same procedure and documentation as that of other equity instruments which are globally issued. The overall structure typically followed in an issue of GDR is given in the Figure 12.4. Figure 12.4: Structure for a GDR Transaction Source: ICFAI Research Center Custodian Luxembourg Listing Agent Luxembourg Stock Exchange Depositary Investors Euro-clear Cedel & DTC THE COMPANY PR Consultants Auditors Indian Legal Counsel English Legal Counsel English Legal Counsel Indian Legal Counsel Lead Manager& Syndicate Subscription Agreement Depository Agreement Listing Agreement Shares GDRs
Block 4: International Financial Management 18

98%	MATCHING BLOCK 95/335	W

Issuance of GDR The following are the sequence of activities that take place during the issuance of GDRs: a. Shareholder Approval Needed: The issuance of an equity instrument like the GDR needs the mandate of the shareholders of the company issuing it. The terms of the issue will have to be decided before such a mandate is sought from the shareholders. There should be an authorization from the board of directors for floating a Euro-issue and for calling a general meeting for the purpose. A committee of directors is generally constituted and conferred with necessary powers for the approval of (i) the offering memorandum; (ii) fixation of issue price; (iii) opening of bank account outside India and operation of the said account; and (iv) for notifying the stock exchange about the date of the board meeting when the proposal will be considered and also inform it about the decisions taken. After all this, the shareholders should approve the issue by a special resolution passed at a general meeting. It stipulates that, if a company proposes any issue of capital after two years from the formation of the company or at any time after one year from the allotment of shares that the company has made for the first time after its formation – whichever is earlier – the company has to offer such issues first to the shareholders of the company. b. Appointment of Lead Manager: Lead manager is an important cog in the wheel of the Euro-issue and is the vital link between the government and investors with the issuers. Practically, it is the lead manager who is responsible for the eventual success or failure of a Euro-issue when all the other factors are same. Hence, the choice of a suitable lead manager is as significant as any other issue activity. An ideal lead manager is selected after preliminary meetings with merchant bankers. The merchant bankers are evaluated on various parameters such as (i) marketing ability; (ii) marketing research capability; (iii) market making capability; (iv) track record (v) competitive fee structure; and (vi) placement skills. A beauty parade, which is basically the presentations made by the various merchant bankers, is held by the company to help it decide on the final choice of the lead manager after they are filtered by the above parameters. The final appointment of lead manager is done after the government's approval. The lead manager advises the company in the following areas after taking into consideration the needs of the company: the industry in which the company is engaged, the international monetary and securities markets, the general economic conditions and the terms of the issue viz., quantum of issue, type of security needed to be issued (GDR in this case), stages of conversion, price of equity, shares on conversion, rate of interest, redemption date, etc.

Unit 12: International Financial Markets and Financial Instruments 19

91%	MATCHING BLOCK 97/335	W

c. Finalization of Issue Structure: On completion of the formalities of issue structure in consultation with the lead manager, the company should obtain the final approval from the government. For this purpose, the company should furnish information about the entities involved in the GDR issue and the following parameters to the government. i. Lead manager xii. Indian custodian ii. Co-lead manager

87%	MATCHING BLOCK 98/335	W

xiii. Issue structure and denomination of underlying shares represented by the GDRs

iii. Currency xiv. Issue amount iv. Issue price (approximate range in case of GDR) xv. 'Green Shoe' option v. Form and denomination xvi. Warrants attached, if any vi. Negative pledge provisions xvii. Listing modalities vii. Taxation xviii. Selling commission viii. Commissions xix. Underwriting commission ix. Reimbursable expenses

100%	MATCHING BLOCK 99/335	W

xx. Legal expenses, printing expenses, depository fees, and other out-of-pocket expenses

100%	MATCHING BLOCK 100/335	W

xx. Legal expenses, printing expenses, depository fees, and other out-of-pocket expenses

x. Governing laws xxi. Taxation procedure xi. Overseas depository institution

100%	MATCHING BLOCK 101/335	W

The government, after considering all the above information will give a final approval for the issue – if satisfied.

100%	MATCHING BLOCK 102/335	W

Documentation Documentation for Euro equities is a complex and elaborate process in the procedure of GDR launch. A typical Euro-issue consists of the following main documents: a. Prospectus b. Depository agreement c. Custodian agreement d. Subscription agreement e. Paying and conversion agency agreement f. Trust deed g. Underwriting agreement and h. Listing agreement

Block 4: International Financial Management 20

100%	MATCHING BLOCK 103/335	W

A brief discussion on the contents and the relevance of each of these documents is given below: a. Prospectus: As in domestic equity market, the 'Prospectus' is a major document containing all the relevant information concerning the issues – like the investment considerations, terms and conditions, use of proceeds, capitalization details, share information, industry review and overall description of the issuing company. As a marketing strategy, companies generally issue a preliminary prospectus which is referred to as pathfinder which will judge the potential demand for the equity that is being launched in the markets. The aspects that need to be covered in the main prospectus may be grouped as follows: i. Financial Matters: Apart from the financials of the company, the prospectus should include a statement setting out important accounting policies of the company and a summary of significant differences between Indian GAAP and the UK GAAP and the US GAAP (in case of an ADR). (

Refer to the table bringing out the differences between the US, and Indian GAAP later in the units).

99%	MATCHING BLOCK 104/335	W

ii. Non-financial Matters: This may cover all aspects of management like the information relating to their background, names of nominee directors along with the names of the financial institutions which they represent, and the names of senior management team. All other non-financial aspects that influence the working of the company need to be mentioned in the prospectus. iii. Issue Particulars: The issue size, the ruling domestic price, the number of underlying shares for each GDR and other information relevant for the issue as such, may be mentioned here. iv. Other Information: Statement regarding application to a foreign stock exchange for listing the securities and issuing of global certificates to a specified nominee as operator of the 'Euro-Clear' (international clearing house in Euro-securities) system like 'Cedel' (one of the major clearing houses in Eurobond market clearing, handling and storing the securities

and is known as 'Clearstream').

97%	MATCHING BLOCK 105/335	W

Option provided to the lead manager to cover over-allotments, exercisable on or before the business day prior to the closing date to subscribe for additional securities in the aggregate up to a specified limit. b. Depository Agreement: This is the agreement between the issuing company and the overseas depository providing a set of rules for withdrawal of deposits and for their conversion into shares. Voting rights of a depository are also

Unit 12: International Financial Markets and Financial Instruments 21 defined.

98%	MATCHING BLOCK 106/335	W

Usually, GDRs or Euro convertible bonds are admitted to the clearing system, and settlements are made only by book entries. The agreement lays down the procedure for the information transmission to be passed onto the GDR holders. c. Underwriting Agreement: As in domestic equity market, underwriters play the role of 'assurers' for picking the GDRs at a predetermined price depending on the market response. The agreement is for this purpose, between the company (guided by its lead manager) and the underwriter. d. Subscription Agreement: The lead manager and the syndicated members form a part of the investors who subscribe to GDRs or Euro convertible bonds as per this agreement. There is no binding, however, on the secondary market transaction on these entities i.e. market making facility. e. Custodian Agreement: It is an agreement between the depository and the custodian. In this agreement the depository and the custodian determine the process of conversion of underlying shares into 'Depository Receipts' (DRs) and vice versa. For the process of conversion of the GDRs into shares, (popularly termed as re-materialization) shares must be released by the custodian. f. Trust Deed and Paying and Conversion Agreement: While the trust deed is a standard document which provides for duties and responsibilities of trustees, the paying and conversion agreement enables the paying and conversion agency which performs a typical banking function by undertaking to service the bonds until the conversion, and arranging for conversion of bonds into GDRs or shares, as necessary. g. Listing Agreement: As far as the listing is concerned, most of the companies which issue a GDR prefer Luxembourg stock exchange, as the listing requirements in this exchange are by far, the simplest. The New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE) have the most stringent listing requirements. London Stock Exchange and the Singapore Stock Exchange fit in the middle with relatively fewer listing requirements than the NYSE and TSE. The listing agents have the onus of fulfilling

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93%	MATCHING BLOCK 107/335	W

listing requirements of a chosen stock exchange. The requirements of London Stock Exchange are provided in the 48-hour documents. The 48-hour documents are the final documents that must be lodged at the exchange not later than mid-day, at least two business days prior to the consideration of the application for admission to listing. These documents, among other things should include the following: ? An application for admission to listing ? Declaration of compliance in the appropriate form issued by the exchange. Block 4: International Financial Management 22 ? Three copies of the listing particulars/equivalent offering document relating to the issue. The contents of these documents should meet the relevant requirements. ? A copy of any shareholders' resolution that is relevant to the issue of such securities. ? A copy of the board resolution authorizing the issue, the application for listing and the publication of the relevant documents. ? In case of a new company, a copy of the incorporation certificate, memorandum of association and articles of association. The Launch Two of the major approaches for launching of a Euro-issue are 'Euro-Equity Syndication' and 'Segmented Syndication'. 'Euro-Equity syndication' attempts to group together the placement strengths of the intermediaries, without any formal regional allocations. Segmented syndication, on the other hand, seeks to form a geographically targeted syndicate structure, to achieve broader distribution of paper by approaching both institutional and retail investors. As compared to Euro syndication, segmented syndication can be expected to achieve orderly and coordinated placement by restricting the choice of syndicate members with definite strengths in specific markets. Marketing It is not only the Indian issues which thrive on suave marketing, but also the GDR and other International bond offerings. A judicious mix of financials and marketing would help in raising the investor's interest in the issue. Most of the marketing activities are handled by the lead manager in consonance with the advertising agencies. A back-up material consisting of preliminary offering circular, recent annual report, interim financial statements, copies of newspaper articles about the business of the company and a review of the structure and performance of the Indian stock market, among other things is prepared. Roadshows form a pre-dominant facet of the launch of any GDR. They are a series of face-to-face presentations with fund managers and analysts and is a vital part of marketing process. Roadshows, which involve much more than just informing about the company, are getting increasing attention from the investors and the fund managers. Roadshows for Euro equities acquire considerable

relevance as investors, who are invited, participate in the ownership and assume a

81%	MATCHING BLOCK 108/335	W

greater degree of risk than under any other financial instrument. Roadshows are backed by information about the financials and operations with a view regarding the future profitability and growth prospects. This gives an opportunity to the investors (generally, fund managers) to interact with the senior management of the issuing company and understand the activities of the issuer company which

81%	MATCHING BLOCK 109/335	W

greater degree of risk than under any other financial instrument. Roadshows are backed by information about the financials and operations with a view regarding the future profitability and growth prospects. This gives an opportunity to the investors (generally, fund managers) to interact with the senior management of the issuing company and understand the activities of the issuer company which

95%	MATCHING BLOCK 110/335	W

may eventually lead to investment in the company. These are normally conducted at global financial centers like London, New York, Boston, Los Angeles, Paris, Edinburgh, Geneva, Hong Kong, etc. The back-up material prepared will support presentations made by the company's senior personnel inviting the fund managers to invest in the company. The price that is preferred for a number of shares is noted by the book-runner at each of such presentations and the eventual price that is most likely to find favor with the fund manager is finalized. This will go a long way in making the issue to be accepted. Pricing and Closing This forms the most vital part of the whole process of a GDR issue. Pricing is

95%	MATCHING BLOCK 111/335	W

may eventually lead to investment in the company. These are normally conducted at global financial centers like London, New York, Boston, Los Angeles, Paris, Edinburgh, Geneva, Hong Kong, etc. The back-up material prepared will support presentations made by the company's senior personnel inviting the fund managers to invest in the company. The price that is preferred for a number of shares is noted by the book-runner at each of such presentations and the eventual price that is most likely to find favor with the fund manager is finalized. This will go a long way in making the issue to be accepted. Pricing and Closing This forms the most vital part of the whole process of a GDR issue. Pricing is

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100%	MATCHING BLOCK 112/335	W

key to the overall performance of a GDR after the same has been listed. The price

of GDR is finalized after taking the feedback from the underwriters.

97%	MATCHING BLOCK 113/335	W

The final price is determined after the 'Book Runner' closes the books after the completion of the Roadshows. The book-runner keeps the books open for 1-2 weeks, for the potential investors to start placing their orders/bids with details of price and quantity. After analyzing all the bids at the end of book-building period, lead managers, in consultation with the issuer, will fix a price for the issue which will be communicated back to the bidders/investors and a fresh demand figure is arrived at. If there is excess demand, the company can go in for 'green shoe option' where it can issue additional GDRs in excess of target amount.

At the end of the issue, various documents will be signed with all the fund managers at New York or London. Pursuant to this, the agreed number of depository receipts will be delivered and the payments in lieu of such delivery will be received by the issuer.

100%	MATCHING BLOCK 114/335	W

A tombstone advertisement will be issued in the financial press to publicize syndicated loans and other funding deals. Following this, the GDRs will get listed in the notified stock exchange signaling the consummation of the process of the issue of stock exchange. The time period that is generally needed for

a

72%	MATCHING BLOCK 115/335	W

typical GDR issue is given below. It is arranged sequentially to convey information on the step-by-step process that is followed.

72%	MATCHING BLOCK 116/335	W

typical GDR issue is given below. It is arranged sequentially to convey information on the step-by-step process that is followed.

100%	MATCHING BLOCK 117/335	W

Costs The cost incurred by the company is proportional to the issue size

and

100%	MATCHING BLOCK 118/335	W

the lead manager, justifiably, takes the lion's share in the issue expenses of the GDR. With the increased acceptance of marketing as a vital tool for the success of the issue, the cost that is incurred on marketing is fast increasing. The

issue related expenses (covering both fixed expenses like underwriting commissions, lead managers charges, legal expenses and reimbursable Expenses)
Block 4: International Financial Management 24 for public issue shall be subject to a ceiling of 4% in the case of GDRs and 7% in the case of ADRs and 2% in case of private placements of ADRs/ GDRs. Issue expenses beyond the ceiling would need the approval of RBI. The issue expenses shall be passed onto the shareholders participating in the sponsored issue on a pro-rata basis.

93%	MATCHING BLOCK 119/335	W

Other expenses include lead manager's expenses, accounting fees, listing fees, printing costs, Roadshow expenses, etc. There has, however, been a considerable fall in the quality of the GDR issues made by Indian companies. The sole reason why some of the Indian companies came out with a Euro-issue was their eagerness to flaunt the GDR issue as a symbol of being well known in the international markets. Some of the companies coming out with GDRs could not explain the core business they are in and whether they have judiciously utilized the investment made by the GDR holders.

Activity 12.2 Make a Google search on an Indian company where its GDRs are traded in the overseas markets. Analyze the company's financial statistics and market capitalization rate for a period of three years. Answer: 12.7.2 American Depository Receipts Till 1990, companies had to issue different receipts in the United States (US) - American Deposit Receipts (ADRs) and in Europe - International Depository Receipts (

89%	MATCHING BLOCK 120/335	W

IDRs) to access both the markets. The weakness was that no cross- border trading was possible as ADRs had to be traded, settled and cleared through the Depository Trust Company (DTC) in the US, while the IDRs could be

traded and settled through 'Euroclear' in Europe. Rule 144A
to SEC regulations

100%	MATCHING BLOCK 121/335	W

is designed to facilitate certain investment bodies called Qualified Institutional Buyers (QIBs) to invest in overseas (

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100%	MATCHING BLOCK 122/335	W

non-US) companies without those companies needing to go through the SEC registration process.

This change facilitated non-US companies to raise money from US market without getting their securities registered with SEC. The Instrument
American Depository Receipt (
ADR) is a Dollar denominated negotiable certificate. It represents non-US Company's publicly traded equity. It was devised in the late 1920s, to help
the Americans (USA) invest in overseas securities and to assist the

100%	MATCHING BLOCK 123/335	W

non-US companies wishing to have their stock traded in the

USA
Unit 12: International Financial Markets and Financial Instruments 25
markets. ADRs are divided into three levels based upon the regulation and privilege of each company's issue. i. ADR Level-I: It is often the first step for an issuer into the US public equity market. Issuer can expand the market for existing shares and thus diversify the investor base. In this instrument, only minimum disclosure is required to the Securities and
Exchange Commission (

88%	MATCHING BLOCK 124/335	W

SEC) and the issuer need not comply with the US GAAP (Generally Accepted Accounting Principles). This kind of instrument is traded in the US OTC (Over-The

Counter)

92%	MATCHING BLOCK 125/335	W

market. The issuer is not allowed to raise fresh capital or list on any one of the national stock exchanges. ii. ADR Level-II: Through this level of ADR, the company can enlarge the investor base for existing shares to a greater extent. However, significant disclosures must be made to the SEC. The company can list in the American Stock Exchange (AMEX) or

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94%	MATCHING BLOCK 126/335	W

New York Stock Exchange (NYSE) which implies that the company must meet the listing requirements of the particular exchange. iii. ADR Level-III: This level of ADR is used for raising fresh capital through public offering in the US capital markets. The company must be registered with the SEC and comply with the listing requirements of AMEX/NYSE while following the US-GAAP. The reason may be attributed to the stiff disclosure requirements and accounting standards

94%	MATCHING BLOCK 127/335	W

New York Stock Exchange (NYSE) which implies that the company must meet the listing requirements of the particular exchange. iii. ADR Level-III: This level of ADR is used for raising fresh capital through public offering in the US capital markets. The company must be registered with the SEC and comply with the listing requirements of AMEX/NYSE while following the US-GAAP. The reason may be attributed to the stiff disclosure requirements and accounting standards

specified in the US GAAP.

60%	MATCHING BLOCK 128/335	W

Intermediaries that are involved in an American Depository Receipt (ADR) issue performs the same work as in the case of a Global Depository Receipt (GDR) issue. Additionally, the intermediaries involved will liaison with the

Qualified Institutional Buyers (QIBs) for investing in ADRs.

97%	MATCHING BLOCK 129/335	W

Regulatory Framework At the outset, it should be clear that the regulatory framework for ADRs is provided by

the

87%	MATCHING BLOCK 130/335	W

Securities and Exchange Commission (SEC) which operates through two main statutes, the Securities Act of 1933, and the Securities Exchange Act of 1934 in USA. The Securities Exchange Act provides for the disclosure and its periodic updating. 4

100%	MATCHING BLOCK 131/335	W

ADRs are always registered with the SEC on a Form F-6 registration statement. Disclosure under Form F-6 relates only to the contractual terms of deposit under the deposit agreement and includes copies of the agreement, a form of ADR certificate, and legal opinions. A Form F-6 contains no information about the non- U.S. company. If a foreign company with ADRs wishes to raise capital in the United States, it would separately file a registration statement on Form F-1, F-3, 4

https://www.sec.gov/investor/alerts/adr-bulletin.pdf
Block 4: International Financial Management 26

100%	MATCHING BLOCK 132/335	W

or F-4. If a foreign private issuer seeks to list ADRs on a U.S. stock exchange, it would separately file with the SEC a registration statement on Form 20-F. Registration statements used to raise capital or list ADRs on an exchange are required to contain extensive financial and non-financial information about the issuer.

As far as Indian regulatory procedures are concerned, the external commercial borrowing guidelines being issued by MOF and RBI from time to time, are applicable. Potential Foreign Portfolio Investors (FPI) are subject to the regulations of FEMA, 1999 and the guidelines issued by RBI and SEBI from time to time. For instance, the operational guidelines for FPIs issued by SEBI in 2019 5 and the RBI regulations in 2021 6 specify the investment limit for FPIs which is: ? In case of different FPIs belonging to the same investor group. the combined holdings of all these FPIs should remain below 10% of the total paid up equity capital in a listed or to be listed company on a fully diluted basis at any time. ? The requirement that short-term investments shall not exceed 30% of total investment by an FPI in any category applies on an end-of-day basis. ? Short-term investments by an FPI may exceed 30% of total investments, only if the short-term investments consist entirely of investments made on or before April 27, 2018; that is, short-term investments do not include any investment made after April 27, 2018. ? The cap on aggregate FPI investments in any Central Government security, currently at 20% of the outstanding stock of that security, stands revised to 30% of the outstanding stock of that security. Example: Investing in ADRs and GDRs from India ADRs and GDRs are international equity instruments and Indian investors can invest in such instruments. The advantage of investing in such instruments is that one can invest in global companies which are not listed in NSE and BSE. Using the platform Global invest through ICICI direct, an investor from India can trade in ADRs of foreign companies of European, Japanese and other countries.

100%	MATCHING BLOCK 133/335	W

ADRs are receipts issued by a depository bank that are backed by a specified number of foreign securities.

Source: https://www.financialexpress.com/

100%	MATCHING BLOCK 142/335	W

money/your-money-you-can-invest-in-adrs-and-gdrs- sitting-in-india/2395874/

dated 3 rd January 2022; Date of access- 1 st August 2022 5 https://www.sebi.gov.in/sebi_data/commondocs/nov-2019/Operational%20Guidelines%20for%20FPIs, %20DDPs% 20 and %20EFIs%20revised_p.pdf 6 https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11303&Mode=0
Unit 12: International Financial Markets and Financial Instruments 27
Check Your Progress - 1 1. Which of the following is not a
reason for India's enhanced performance in international markets? a.

54%	MATCHING BLOCK 134/335	W

Improved export performance b. Overbearing to healthy economic indicators c. Improved forex reserves position d. Improved confidence of the FPIs in the economy e. Decline in rate of return on investments in developed markets 2.

On March 2 nd , 20xx, an Indian Bank issued USD 500 million denominated bonds through its 'Dubai International Finance Center branch' of the bank with a term period of 5.5 years. Identify the classification under which this bond is categorized. a. Foreign bonds b. Eurobonds c. Foreign equity d. Euro equity e. ADRs/GDRs 3. When pricing of an international equity issue is considered which of the following issues will be considered? a. Investment requirement b. Custodian c. International positioning of the equity issue d. Interest rates and valuation of the underlying stock e. Currency requirements 4. International capital markets provide the place for international companies to deal in shares and bonds of different countries. The deal involving varied number of persons to play different roles in trading activity. What is the term used for the person who takes due attentiveness and preparation to offer circulars and market issues? a. Custodian b. Lead manager c. Underwriter d. Issuer e. Lender

Block 4: International Financial Management 28 5. Suppose, an Indian company wants to sell shares to a foreign investor, the company ought to get a certificate to deal with such publicly traded equity in foreign markets. What is the name the financial instrument referred? a. Global Depository Receipts b. American Depository Receipts c. Eurobonds d. Euro notes e. Commercial Paper 12.8 Debt Instruments Various debt instruments are there in the market. They are covered under the following headings- ? Eurobonds ? Foreign Bonds ? Euro notes ? Bonds Issued by India in FC and Bonds issued in INR abroad 12.8.1 Eurobonds

97%	MATCHING BLOCK 135/335	W

The process of lending money by investing in bonds originated during the 19th century when merchant bankers began their operations in international financial markets. Issuance of Eurobonds became easier with no exchange controls and no government restrictions on the transfer of funds in international markets. Slowly, the US Dollar came to be accepted as an international currency and New York joined the family of money centers of the world. The first Eurobond was made for US$ 15 million only for the Italian motorway company – Autostrada, and the total Eurobond volume in the year of 1963 was US$ 150 million. World Bank entered international markets in a big way to raise finance by issuing bonds. Instruments All Eurobonds through their features can appeal to any class of issuer or investor. Characteristics which make them unique and flexible are: a. No withholding of taxes of any kind on interest payments. b. A fundamental requirement is that the bonds are in bearer form with interest coupon attached. c. The bonds are listed on one or more stock exchanges, but issues are generally traded in the 'Over-the-Counter' market. Typically, a Eurobond is issued outside the country of the currency in which it is denominated. It is like any other Euro instrument and through international syndication and underwriting; the paper is sold without any

97%	MATCHING BLOCK 136/335	W

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geographical
Unit 12: International Financial Markets and Financial Instruments 29 boundaries limit.

96%	MATCHING BLOCK 137/335	W

Eurobonds are generally listed on world's stock exchanges, normally on the Luxembourg stock exchange. There were various innovations in the structuring of bond issues during the '80s. These structures used swap technique to switch from one currency to another, or to acquire multi-currency positions. Another variation was in the form of equity- related bonds as convertibles or bonds with equity warrants. Zero-coupon bonds were issued capitalizing on the tax treatment. Bond issue structures can be classified into two broad categories: Fixed rate bonds (also referred as straights) and Floating-Rate Notes (FRNs).

a. Straight Debt Bonds/

90%	MATCHING BLOCK 138/335	W

Fixed Rate Bonds: 'Straight Debt Bonds'/'Fixed Rate Bonds' are fixed interest-bearing securities which are redeemable at face value. These unsecured bonds which are floated in domestic markets or international markets, are denominated in the respective currency with interest rates fixed based on a certain formula applicable in a given market. The bonds issued in the Euro-market referred to as Euro-bonds, have interest rates fixed with reference to the

credit-worthiness

100%	MATCHING BLOCK 139/335	W

of the issuer. The yields on these instruments depend on

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92%	MATCHING BLOCK 140/335	W

short-term interest rates. LIBOR is the most commonly used benchmark for measuring the yields on these bonds. The interest rate on dollar denominated bonds

is

100%	MATCHING BLOCK 141/335	W

set at a margin over the US treasury yields. The redemption of 'straights' is done by 'bullet payment', where the repayment of debt will be in one lump sum at the end of the maturity period, and annual servicing. Further, there is no tax deduction at source on the income of these bonds. These bonds are listed either on London, Luxembourg or Singapore stock exchanges. In addition to the fixed rate bonds, there are the zero-coupon bonds which do not pay the investors any interest and therefore, are not taxable on a year-to-year basis. Instead, the differential between

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100%	MATCHING BLOCK 143/335	W

maturity value and the issue price could be treated as capital gains and taxed at a lower rate accordingly.

b. Floating Rate Notes (FRNs):

90%	MATCHING BLOCK 144/335	W

Floating Rate Notes (FRNs) can be described as a bond issue with a maturity period varying from 5-7 years having varying coupon rates – either pegged to another security or re-fixed at periodic intervals. Conventionally, the paper is referred to as notes and not as bonds. The margin or spreads on these notes will be above six months LIBOR for Eurodollar deposits. The bulk of the issues in the '70s were denominated in US dollars. Later, the concept was applied to other currencies, like Pound Sterling, Deutsche Mark, European currency units and others. Extensive usage of these FRNs is done by both American (

US)

97%	MATCHING BLOCK 145/335	W

and Non-American Banks who would borrow to obtain dollars without exhausting credit lines with other banks. Thus, FRNs represent an additional way to raise capital for them. To cater to the varying shifts in the investor preferences and borrowers' financial requirements, variations have been introduced in the basic FRN concept.

Block 4: International Financial Management 30 RBI sets the interest rate of FRNs which is usually done twice a year. For instance in April, 2022, RBI announced the rate of interest on Government of India Floating Rate Bonds, 2028 (GOI FRB 2028) applicable for the half year April 04, 2022 to October 03, 2022 to be 4.93 percent per annum. FRB, 2028 carry a coupon, which have a Base rate equivalent to the average of the Weighted Average Yield (WAY) of last 3 auctions (from the rate fixing day i.e., April 04, 2022) of 182 Day T-Bills, plus a fixed spread (0.64%). FRNs can be

87%	MATCHING BLOCK 146/335	W

restructured into the following types: ? Flip-Flop FRNs: The investors have an option to convert the paper into a flat interest paying instrument at the end of a period. The investor could change his/her mind and convert the note into

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100%	MATCHING BLOCK 147/335	W

perpetual note once again at maturity. World Bank had come out with a 'FRNs issue' with perpetual life and having a spread of 50 basis points over the US treasury rate. Every 6 months the investors had the option of converting the FRN into

a 3-

100%	MATCHING BLOCK 148/335	W

month note with a flat 3-month yield. The investor could also revert his decision and change it to a perpetual note. ? Mismatch FRNs: These notes have semi-annual interest payments though the actual rate is fixed monthly. This enables investors to benefit from arbitrage arising on account of differentials in interest rates for different maturities. They are also known as rolling rate FRNs. ? Mini-Max FRNs: These notes include both minimum and maximum coupons. The investors will earn a minimum rate as well as a maximum rate on these notes. Depending on the differential between these rates, the spreads are earned on these notes. These notes are also known as collared FRNs. ? Capped FRNs: An interest rate cap is given over which the borrower is not required to service the notes, even if

the

92%	MATCHING BLOCK 149/335	W

LIBOR goes above that level. Typically, the investors have margins higher than that is normally applicable. ? VRN-Structured FRNs: These represent long-dated paper with variable interest spreads, with margins over the

98%	MATCHING BLOCK 150/335	W

LIBOR. The margins rise for longer maturities. ? Perpetual FRNs: These notes which are irredeemable are also known as perpetual floaters or undated issues. Procedure Coming out with a bond issue is the most complex and elaborate of the procedures of all the funding programs. Bonds need to be carefully designed and executed, especially as these are placed with international clientele. The success of a bond issue depends not so much on costs as on the position and capabilities of the bidders for launching the issue. The cheapest bid, therefore, may not be the best bid because the track record and current market standing of the bidders would have to be carefully weighed while choosing the lead manager.

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93%	MATCHING BLOCK 151/335	W

Therefore, the mandate of the bond issue must be awarded after proper deliberation on the modalities involved. The bids should include all necessary information relating to the placement strategy, market support operations, listing details, paying agency arrangements, delivery and handling of notes and trustee arrangements. After the receipt of a mandate, the mandated bank (referred to as lead manager or arrangers) must initiate steps for the formation of a syndicate group to complete bond issue formalities. Since it is the key member of the syndicate group, it is responsible for a series of tasks starting with the launching of the issue till its closure as explained below: a. Syndication: In particular, the 'Arranger's' (lead manager's) duties commence with a credit appraisal of the issuer based on a financial and operational data. The lead manager must organize detailed negotiations with the issuer for the purposes of settling various terms and conditions. A time- table too has to be drawn for going through various stages of bond issue floatation. It is also the lead managers' responsibility for drafting documents with the help of legal counsels. Bond issue documentation comprises, besides prospectus, subscription agreement, underwriting agreement, selling agency agreement, paying agency agreement, listing agreement and the trust deed. These agreements have the same kind of properties as in the case of a GDR issue mentioned earlier in this unit. Traditionally, international markets have been following open priced syndication procedures. Under this, the lead manager keeps pricing open until the subscription agreement is signed. The lead manager assesses not only the market mood but the precise level at which an issue would be supported, and subscriptions can be procured in adequate measure. International markets have also come up with an innovative method of syndication referred to as bought-out deal process. Under this system, pre- priced issue (pre-priced by the lead manager and co-management group) are presented to the market and the issuer knows the exact issue price and coupon rate before the former is launched in the market. b. Launching, Offering and Closing: Placement of new bond issues in markets follows a standard route. On receipt of various approvals and authorizations by the issuer, news concerning bond issue floatation is carried through the appropriate media. With the announcement of a bond issue launch, invitation telexes are sent to underwriters and to selling group members inviting their support. The main function of

underwriters

71%	MATCHING BLOCK 152/335	W

is to take up the issue on execution of the underwriting agreement. It is customary for them to sell the issue subsequently. Underwriting is done by three groups – the managers, major underwriters and minor underwriters. While the commitments on the first two categories of underwriters will be an average of one per cent of the issue, the last category of underwriters will have a commitment of 0.5 per cent of the issue. Compared to underwriting, selling is organized in a different manner. While underwriters take title to the issue so underwritten, selling group members do not take title as they undertake to sell the issue if support is obtained. The selling group, therefore, does not carry any risk – in a technical sense – compared to the underwriting group. The next stage in bond issue floatation is the offering. During this phase, terms consisting of coupon rate and issue price are finalized. Pricing is determined

based on

the underwriters' response and is undertaken one day before the offering. The lead manager, jointly with co-managers, must assess the mood and response of the market and weigh the response of the underwriters accordingly. The two-day period prior to the offer is, therefore, very crucial and hectic discussions and negotiations are undertaken in order to arrive at a correct bond issue pricing. During the offering period, the issuer and the lead manager organize a sales campaign. Various markets are tapped by means of roadshows. These are in fact investor meetings where the offering of a bond is formally presented to investors. Roadshows are organized at various centers and are important from the point of view of placing the issue. The offering phase is concluded with the actual sale of bonds, signing of necessary agreements and publicity regarding the transaction coming to an end. Given below (Table 12.1) is the

step by step guidance for issuing bonds in international market. Figure 12.5 provides the planning for issuing an international bond in weeks. The data is compiled from the discussion papers published by World Bank Group entity MTI (Macroeconomics, Trade, and Investment) Global Practice of the World Bank in April 2019.

For frequent issuers of bonds, the time schedule is shorter as the familiarity of the parties with the process ensures expeditious completion of various stages. Table 12.1:

For frequent issuers of bonds, the time schedule is shorter as the familiarity of the parties with the process ensures expeditious completion of various stages. Table 12.1:

Step by Step Guidance on International Issuance Source: ICFAI Research Center Step 1 • Principal decision to issue Eurobond preferred structure • Assign internal deal-team Step 2 • Selecting banks & advisors Step 3 • Preparing bong documentation Step 4 • Communicating with investors Step 5 • Actual issuance: price guidence, bookbuilding and allocation Step 6 • After issuance
Unit 12: International Financial Markets and Financial Instruments 33 Figure 12.5: Planning for Issuing an International Bond in Weeks Source: World Bank Group, Issuing International Bonds A Guidance Note, MTI Global Practice

Listing Bond issues are listed at one or more stock exchanges depending upon the type of bond issue, the currency of denomination and the desire of the issuer to seek a quotation at various centers. Generally, the Eurobonds denominated in dollars are listed at London/Luxembourg stock exchanges, the bonds denominated in French Franc at Luxembourg stock exchange and those bonds denominated in DM at German stock exchanges. Bonds issued in domestic markets like Japan, Switzerland or Germany must be listed as per the requirements. Bond issue procedures are finally concluded with the advertisement (known as tombstone advertisement). Clearing Arrangements With a view to facilitating both new issue and secondary market operations, clearing house arrangements have been made and systems laid down for handling transactions. Eurobonds are usually handed over to either the 'Euroclear' system (Brussels) or 'Cedel' (Luxembourg). The two systems have been linked by what is known as an 'electric bridge'. 'Euroclear' and 'Cedel' follow two distinct practices, fungible and non-fungible accounts, for concluding transactions between parties. While the fungible accounts system is most popular in Euromarkets, the non-fungible system is useful for control purposes. In a fungible account system, details regarding the identity of the owners and location of individual securities are not provided. 'Euroclear' system handles trades on fungible basis, whereas 'Cedel' permits both procedures. The two clearing systems have been providing various other facilities, apart from settlement of secondary market trading transactions. For instance, finance is provided by them for facilitating market-making operations.

Internal preparation Initial country and/or bond rating Hire independent advisor Prepare RfP and select Lead-.. Hire legal counsel Prepare documentation Investor communication Execution price guidance, launch, Settlement, receiving net proceeds, Weeks Block 4: International Financial Management 34 12.8.2 Foreign Bonds Foreign Bonds are relatively lesser known bonds issued by foreign entities for raising medium-to long-term financing from domestic money centers in their domestic currencies. A brief note on different instruments in this category is given below: a. Yankee

90%	MATCHING BLOCK 158/335	W

Bonds: Yankee Bonds are US Dollar denominated issues by foreign borrowers

90%	MATCHING BLOCK 159/335	W

Bonds: Yankee Bonds are US Dollar denominated issues by foreign borrowers

in the US bond markets. Foreign borrowers are

90%	MATCHING BLOCK 160/335	W

usually foreign governments or entities, supranational and highly rated corporate borrowers. 'Yankee bond' has certain peculiar features associated with the US domestic market. SEC regulates the international bond issues and requires disclosure documents in detail. The

90%	MATCHING BLOCK 161/335	W

usually foreign governments or entities, supranational and highly rated corporate borrowers. 'Yankee bond' has certain peculiar features associated with the US domestic market. SEC regulates the international bond issues and requires disclosure documents in detail. The

details given to SEC would be more elaborate

84%	MATCHING BLOCK 162/335	W

than the prospectus used in Eurobond issues. Foreign borrower will have to adopt the US accounting practices. US credit rating agencies provides rating for these bonds.

84%	MATCHING BLOCK 163/335	W

than the prospectus used in Eurobond issues. Foreign borrower will have to adopt the US accounting practices. US credit rating agencies provides rating for these bonds.

Yankee bonds are sponsored by the United States (

100%	MATCHING BLOCK 164/335	W

US) domestic underwriting syndicate and require Securities and Exchange Board registration prior to selling them in the domestic US market.

100%	MATCHING BLOCK 165/335	W

US) domestic underwriting syndicate and require Securities and Exchange Board registration prior to selling them in the domestic US market.

93%	MATCHING BLOCK 166/335	W

Europe is at the forefront of issuing these securities worldwide as over the last 5 years, 40% of the Yankee Bonds issued came from

Europe.

100% **MATCHING BLOCK 170/335** W

Worldwide, the most frequently issued Yankee bonds are Investment Grade (rating of BBB- or higher) covering 63% of issues (74% in Europe). This is followed by High Yield Corporate bonds (19% worldwide, 25% in Europe) 7 .

b. Samurai Bonds: These are bonds issued by the non-Japanese borrowers in the Japanese

92% **MATCHING BLOCK 167/335** W

domestic markets. Borrowers are supranational. They have at least a minimum investment grade rating (A-rated). The maturities range between 3-20 years. The priority for allowing

92% **MATCHING BLOCK 168/335** W

domestic markets. Borrowers are supranational. They have at least a minimum investment grade rating (A-rated). The maturities range between 3-20 years. The priority for allowing

the issuance

87% **MATCHING BLOCK 169/335** W

is given to the sovereigns after the supranational and their entities, and to high quality private corporations specifically having Japanese trade links. This is also a registered bond making the settlement and administrative procedures relatively costly. Among the Yen financing instruments,

87% **MATCHING BLOCK 171/335** W

is given to the sovereigns after the supranational and their entities, and to high quality private corporations specifically having Japanese trade links. This is also a registered bond making the settlement and administrative procedures relatively costly. Among the Yen financing instruments,

the Samurai Bond

100% **MATCHING BLOCK 172/335** W

is the most expensive in terms of issuing costs. As

100% **MATCHING BLOCK 173/335** W

is the most expensive in terms of issuing costs. As

the

89% **MATCHING BLOCK 174/335** W

instrument is issued for the public, the arrangements for underwriting and selling must be made which involves large documentation.

89% **MATCHING BLOCK 175/335** W

instrument is issued for the public, the arrangements for underwriting and selling must be made which involves large documentation.

In December 2022, Renault Group successfully issued Samurai bonds in Japanese bond markets to tap 200 billion yen.

100%	MATCHING BLOCK 176/335	W

There are two major parties to a Samurai bond issue.

100%	MATCHING BLOCK 177/335	W

There are two major parties to a Samurai bond issue.

They are: 1.

96%	MATCHING BLOCK 178/335	W

The securities house, which acts as lead arranger, and 2. The bank, acting as a chief commissioned company. The process followed is usually the same as is followed elsewhere for the Eurobonds. However, it is to be noted that the documentation and formalities are friendly and hospitable. 7

96%	MATCHING BLOCK 179/335	W

The securities house, which acts as lead arranger, and 2. The bank, acting as a chief commissioned company. The process followed is usually the same as is followed elsewhere for the Eurobonds. However, it is to be noted that the documentation and formalities are friendly and hospitable. 7

https://www.linklaters.com/en/

100%	MATCHING BLOCK 180/335	W

about-us/news-and-deals/deals/2021/march/europe-is-at-the-forefront-of-the- yankee-bond-market

Unit 12: International Financial Markets and Financial Instruments 35

81%	MATCHING BLOCK 181/335	W

c. Bulldog Bonds: Bulldog Bonds are Sterling denominated foreign bonds. These are raised in the UK domestic securities market. The maturity of the bulldog bonds will be either for very short periods (5 years) or for very long maturities (25 years and above).

81%	MATCHING BLOCK 182/335	W

c. Bulldog Bonds: Bulldog Bonds are Sterling denominated foreign bonds. These are raised in the UK domestic securities market. The maturity of the bulldog bonds will be either for very short periods (5 years) or for very long maturities (25 years and above).

Bulldog

89%	MATCHING BLOCK 183/335	W

Bonds with intermediate maturity periods are rare. These 'bulldog bonds' are usually subscribed by

89%	MATCHING BLOCK 184/335	W

Bonds with intermediate maturity periods are rare. These 'bulldog bonds' are usually subscribed by

the long- term institutional investors like life insurance companies and pension funds. These bulldog

93%	MATCHING BLOCK 185/335	W

bonds are usually redeemed on bullet basis, means one-time lump sum payment on maturity. However, due to the long maturities, early amortizations - say 5 equal annual installments prior to the maturity date, may also be allowed. A margin on the UK government bond will be the yield earned on this paper. These bonds which are offered either by placing or offer for sale process will have to be listed on the London Stock Exchange. d. Shibosai Bonds: These are the privately placed bonds issued in the Japanese markets. The qualifying criteria are less stringent as compared to Euro Yen bonds

93%	MATCHING BLOCK 186/335	W

bonds are usually redeemed on bullet basis, means one-time lump sum payment on maturity. However, due to the long maturities, early amortizations - say 5 equal annual installments prior to the maturity date, may also be allowed. A margin on the UK government bond will be the yield earned on this paper. These bonds which are offered either by placing or offer for sale process will have to be listed on the London Stock Exchange. d. Shibosai Bonds: These are the privately placed bonds issued in the Japanese markets. The qualifying criteria are less stringent as compared to Euro Yen bonds

or Samurai

100%	MATCHING BLOCK 187/335	W

Bonds. Shibosai bonds are offered to a different market segment that consists of institutional investors, including banks. The eligibility criteria, amount, maturity and redemption as well as

100%	MATCHING BLOCK 188/335	W

Bonds. Shibosai bonds are offered to a different market segment that consists of institutional investors, including banks. The eligibility criteria, amount, maturity and redemption as well as

the coupon- rate and issue price are all governed by the guidelines issued

95%	MATCHING BLOCK 189/335	W

by Japan’s Ministry of Finance (MoF). In terms of eligibility,

95%	MATCHING BLOCK 190/335	W

by Japan’s Ministry of Finance (MoF). In terms of eligibility,

the MoF has categorized various borrowers (i.e.,

86%	MATCHING BLOCK 191/335	W

sovereign and corporate) into several groups. The rated borrowers are divided into three groups in accordance with the rating. While non-rated borrowers are segmented based upon the country rating or previous bond issue floatation experience, the pricing formula is elaborate and starts with the computation of base rate, spreads being added according to the credit rating of the borrowers. The procedures for completing the bond issue formalities are elaborate and take about 45 days after the mandate is awarded.

86%	MATCHING BLOCK 192/335	W

sovereign and corporate) into several groups. The rated borrowers are divided into three groups in accordance with the rating. While non-rated borrowers are segmented based upon the country rating or previous bond issue floatation experience, the pricing formula is elaborate and starts with the computation of base rate, spreads being added according to the credit rating of the borrowers. The procedures for completing the bond issue formalities are elaborate and take about 45 days after the mandate is awarded.

e. Swiss Franc International Bonds: The Swiss government does not allow the issues in CHF outside Switzerland. And, international banks may not lead-manage, co-manage or underwrite issues by foreign borrowers except through subsidiaries incorporated in Switzerland. This regulation has created in Switzerland, the largest foreign bond market in the world. The CHF is chosen as a unit of account with relatively stable purchasing power, while Swiss banks act as politically neutral institutions. CHF foreign bonds are bearer bonds, having annual coupons, and a minimum denomination of CHF 5000. They are usually listed and traded on Swiss stock exchanges. CHF bonds are usually lead-managed by one of the "big three": Swiss Bank Corporation, Union XII. Bank of Switzerland or Credit Suisse. A certain percentage of the Swiss Francs received by the borrower must be converted to other currencies. While non-residents are subject to a 35% withholding tax on Swiss Franc domestic bonds, they are exempt from withholding on CHF foreign bonds. Therefore, it is not rare to find foreign (to Switzerland) savers
Block 4: International Financial Management 36 lending to foreign borrowers, with the amount of the debt obligation fixed in terms of CHF. Example: The Maiden Issue of Euro Bonds by Power Finance Corporation State-owned NBFC, Power Finance Corporation (PFC) had issued Euro

100%	MATCHING BLOCK 193/335	W

bonds worth 300 million euros for a period of seven years

at attractive terms and pricing. The issue witnessed a strong participation from 82 accounts by institutional investors across Asia and Europe which reflected international investor's confidence in PFC according to the company. The issue was oversubscribed 2.65 times and

92%	MATCHING BLOCK 205/335	W

the pricing of 1.841 per cent achieved was the lowest yield locked in by an Indian issuer in the euro markets.

After a gap of over four years, this was the first ever euro issuance by an Indian corporate. A Eurobond is a fixed-income debt security denominated in a different currency other than the local one of the country where the bond had been issued. Hence, it was a unique type of bond. Source: https://www.business-standard.com/article/companies/

100%	MATCHING BLOCK 194/335	W

pfc-issues-300-million-euro- bonds-for-7-year-period-in-european-market-121091600718_1.

html dated 16th September 2021 ; Date of access- 1 st August 2022 12.8.3 Euro Notes

95%	MATCHING BLOCK 195/335	W

In the early '80s, the international capital markets were faced with problems of country defaults, uncertain supply of OPEC deposits, which were the main source of deposits in the '70s, and the

95%	MATCHING BLOCK 196/335	W

In the early '80s, the international capital markets were faced with problems of country defaults, uncertain supply of OPEC deposits, which were the main source of deposits in the '70s, and the

macro-economic

90%	MATCHING BLOCK 197/335	W

imbalances which were resulting in rising inflation and volatility in exchange and interest rates. All these factors enhanced the risks in the international financial sphere. The search in mid-80s for a paper that goes beyond the interbank market for arranging funds and which has wider support for resource raising through primary investors in various markets has contributed to the birth of 'Euro notes'. A series of developments during the '80s, triggered by the bank credit crisis provided impetus to the process of origin of these notes. Instruments 'Euro notes' as a concept is different from syndicated bank credit and is different from Eurobonds in terms of its structure and maturity period. 'Euro notes' command the price of a short-term instrument usually a few basis points over LIBOR and in many instances at sub-LIBOR levels. The documentation formalities are minimal (unlike in the case of syndicated credits or bond issues) and cost savings can be achieved on that score too. The funding instrument in the form of 'Euro notes' possesses flexibility and can be tailored to suit the specific requirements of different types of borrowers. There are numerous applications of

90%	MATCHING BLOCK 198/335	W

imbalances which were resulting in rising inflation and volatility in exchange and interest rates. All these factors enhanced the risks in the international financial sphere. The search in mid-80s for a paper that goes beyond the interbank market for arranging funds and which has wider support for resource raising through primary investors in various markets has contributed to the birth of 'Euro notes'. A series of developments during the '80s, triggered by the bank credit crisis provided impetus to the process of origin of these notes. Instruments 'Euro notes' as a concept is different from syndicated bank credit and is different from Eurobonds in terms of its structure and maturity period. 'Euro notes' command the price of a short-term instrument usually a few basis points over LIBOR and in many instances at sub-LIBOR levels. The documentation formalities are minimal (unlike in the case of syndicated credits or bond issues) and cost savings can be achieved on that score too. The funding instrument in the form of 'Euro notes' possesses flexibility and can be tailored to suit the specific requirements of different types of borrowers. There are numerous applications of

Unit 12: International Financial Markets and Financial Instruments 37

90%	MATCHING BLOCK 199/335	W

basic concepts of 'Euro notes'. These may be categorized under the following heads: a. Commercial Paper: These are short-term unsecured promissory notes which repay a fixed amount on a certain future date.

90%	MATCHING BLOCK 200/335	W

basic concepts of 'Euro notes'. These may be categorized under the following heads: a. Commercial Paper: These are short-term unsecured promissory notes which repay a fixed amount on a certain future date.

The CP is unsecured instrument and it is more dependent

79%	MATCHING BLOCK 201/335	W

on the credit- worthiness of the issuer corporate. Referred as 'Euro Commercial Paper', these papers are not underwritten and have maturities up to one year, mostly by way of

79%	MATCHING BLOCK 202/335	W

on the credit- worthiness of the issuer corporate. Referred as 'Euro Commercial Paper', these papers are not underwritten and have maturities up to one year, mostly by way of

a

97%	MATCHING BLOCK 203/335	W

three-month or six-month paper. Even though maturities are short, the overall funding program could be for medium-to long-term. Usually, the borrowers plan a series of tranches to match their funding needs throughout the life of the program once they are established. It takes about four to five weeks after the initial decision is taken by the concerned parties. Issuer of CP initiates proceedings by selecting a dealer and an issuing and paying agent. While it is not mandatory to have ratings, issuers often seek ratings for a successful launching of CP programs. The documentation is simple and comprises an information memorandum, dealer agreement, issuing and paying agency agreement and the actual notes. The information memorandum is a standard and routine document and carries basic information concerning the issuer. The relevant operational information and financials are summarized in an information memorandum for CP, which must be updated periodically. In terms of disclosure requirements, the information memorandum is expected to help investors independently judge the credit-worthiness of the CP issuer. A significant variation of 'Commercial Paper' is the asset-backed CP which is backed by financial assets such as mortgages or credit card receivables.

97%	MATCHING BLOCK 204/335	W

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b. Note Issuance Facilities (NIFs): The currency involved is mostly the

100%	MATCHING BLOCK 206/335	W

US dollars. A NIF is a medium-term legally binding commitment under which a borrower can issue short-

100%	MATCHING BLOCK 207/335	W

US dollars. A NIF is a medium-term legally binding commitment under which a borrower can issue short-

93%	MATCHING BLOCK 208/335	W

NIF is a medium-term legally binding commitment under which a borrower can issue short-term paper,

93%	MATCHING BLOCK 215/335	W

NIF is a medium-term legally binding commitment under which a borrower can issue short-term paper,

100%	MATCHING BLOCK 209/335	W

paper, of up to one year. The underlying currency is mostly

100%	MATCHING BLOCK 210/335	W

paper, of up to one year. The underlying currency is mostly

the US dollar. Underwriting banks are committed either to provide standing credit or

90%	MATCHING BLOCK 211/335	W

purchase any notes which the borrower is unable to sell. NIFs can be re-issued periodically. In a typical NIF program, the issuer instructs the lead manager to issue Euro notes at desired intervals. Maximum and minimum amounts of each

90%	MATCHING BLOCK 212/335	W

purchase any notes which the borrower is unable to sell. NIFs can be re-issued periodically. In a typical NIF program, the issuer instructs the lead manager to issue Euro notes at desired intervals. Maximum and minimum amounts of each

NIF

97% MATCHING BLOCK 213/335 W

issue are also specified. The lead manager sells the notes as per the placement agreement of the sole placing agent, multiple agents or a tender panel that bids competitively for the paper. In cases where there is sole placing agency arrangement, the structure is called a 'Revolving Underwriting Facility' (RUF). The notes are offered for sale during a specified selling period, usually ranging between three to 10 business days.

97% MATCHING BLOCK 214/335 W

issue are also specified. The lead manager sells the notes as per the placement agreement of the sole placing agent, multiple agents or a tender panel that bids competitively for the paper. In cases where there is sole placing agency arrangement, the structure is called a 'Revolving Underwriting Facility' (RUF). The notes are offered for sale during a specified selling period, usually ranging between three to 10 business days.

Block 4: International Financial Management 38

76% MATCHING BLOCK 216/335 W

NIFs primarily appeal to professional investors. These include commercial banks, and non-bank financial institutions such as provident funds and insurance companies. The underwriting support is provided by commercial banks. Investment companies, insurance companies

76% MATCHING BLOCK 217/335 W

NIFs primarily appeal to professional investors. These include commercial banks, and non-bank financial institutions such as provident funds and insurance companies. The underwriting support is provided by commercial banks. Investment companies, insurance companies

and savings banks also play a small role. They (NIFs) carry three important cost components, i.e., 1.

90% MATCHING BLOCK 218/335 W

Underwriting fees (payable on the full amount of underwriting) 2. A one-time management fee (for structuring, pricing, syndication and documentation) and 3. Margin on the notes themselves. The margin on 'Euro notes' is expressed either in the form of spreads over LIBOR or built into the NIF pricing itself. c. Medium-Term Notes (MTNs):

90% MATCHING BLOCK 219/335 W

Underwriting fees (payable on the full amount of underwriting) 2. A one-time management fee (for structuring, pricing, syndication and documentation) and 3. Margin on the notes themselves. The margin on 'Euro notes' is expressed either in the form of spreads over LIBOR or built into the NIF pricing itself. c. Medium-Term Notes (MTNs):

These

94% MATCHING BLOCK 220/335 W

are defined as sequentially issued fixed interest securities. They have a maturity of over one year. A typical MTN program enables an issuer to issue '

94% MATCHING BLOCK 221/335 W

are defined as sequentially issued fixed interest securities. They have a maturity of over one year. A typical MTN program enables an issuer to issue '

Euro notes'

94%	MATCHING BLOCK 222/335	W

for different maturities, from over one year up to the desired level of maturity. MTNs are essentially fixed rate funding arrangements as the price of each preferred maturity is determined and fixed up front at the time of launching. These are conceived as non-underwritten facilities, even though international markets have started offering underwriting support in specific instances. A Global MTN (G-MTN) is issued worldwide by tapping Euro as well as the US markets under the same program. In view of placement of specific proportion of notes in the

94%	MATCHING BLOCK 223/335	W

for different maturities, from over one year up to the desired level of maturity. MTNs are essentially fixed rate funding arrangements as the price of each preferred maturity is determined and fixed up front at the time of launching. These are conceived as non-underwritten facilities, even though international markets have started offering underwriting support in specific instances. A Global MTN (G-MTN) is issued worldwide by tapping Euro as well as the US markets under the same program. In view of placement of specific proportion of notes in the

United States (

100%	MATCHING BLOCK 224/335	W

US) markets, issuers are required to seek shelf registration from

100%	MATCHING BLOCK 225/335	W

US) markets, issuers are required to seek shelf registration from

the Securities and Exchange Commission (SEC). Under Global MTN (

88%	MATCHING BLOCK 226/335	W

G-MTN) programs, issuers of different credit ratings can raise finance by accessing retail as well as institutional investors. In view of

88%	MATCHING BLOCK 227/335	W

G-MTN) programs, issuers of different credit ratings can raise finance by accessing retail as well as institutional investors. In view of

the

93%	MATCHING BLOCK 228/335	W

flexible access, speed and efficiency, and enhanced investor base, G- MTN programs afford numerous benefits to the issuers. Spreads paid on MTNs

93%	MATCHING BLOCK 229/335	W

flexible access, speed and efficiency, and enhanced investor base, G- MTN programs afford numerous benefits to the issuers. Spreads paid on MTNs

are dependent

94%	MATCHING BLOCK 230/335	W

on credit ratings, treasury yield curve and the familiarity of the issuers among investors. Investors include private banks, pension funds, mutual funds and insurance companies. 12.8.4

94%	MATCHING BLOCK 231/335	W

on credit ratings, treasury yield curve and the familiarity of the issuers among investors. Investors include private banks, pension funds, mutual funds and insurance companies. 12.8.4

Bonds Issued by India in FC and Bonds issued in INR abroad There are other international instruments where instruments are denominated in FC and the investors from abroad but the issuer is FI from India or the beneficiary is India. Maharaja Bonds, Masala Bonds, India Millennium Deposits and FCNR Deposits, Diaspora Bonds, India Development Bonds and Resurgent India Bonds. These are funding avenues for corporate entities/ financial institutions. Let us go into the details of these instruments: Maharaja Bonds 'Maharaja' Bonds are Rupee-denominated borrowings in India issued by global players and subscribed by foreign and domestic institutional investors. The repayment of these bonds would be linked to the Rupee-Dollar exchange rate.
Unit 12: International Financial Markets and Financial Instruments 39 During September 2014, for the first time, the development financial institution of the World Bank, International Finance Corporation issued ₹ 600 crore ($100 million) IFC 'Maharaja' Bonds. This was the first time in a decade that a foreign institution was raising money through a bond sale in India after the issue of Asian Development Bank (ADB). This issue was under a $ 2.50 billion program to support domestic capital markets and it was expected to exhaust the entire limit in the next 4-5 years. The purpose of the issue was to finance infrastructure in India primarily in the domain of renewable energy, roads, power, and airport projects. Going forward, the development lender IFC was willing to look at fund agri-business as well as SME segments. IFC (International Finance Corporation) proposed the 'Maharaja' Bond issue in 2016 which had set an international AAA-rated benchmark for Indian capital markets. Hitherto, the domestic bond markets were dominated by G-Secs issued by the Indian government valued at $ 880 billion. The referred Maharaja Bonds issue in 2016 would be a trend-setter as an affiliate of a multilateral institution would deepen the market by riding on the strong global credentials. The issue was managed by HSBC, ICICI Securities Primary Dealership, and SBI Capital Markets and the securities were listed on the NSE. IFC has a huge exposure to Indian markets to the tune of $ 5 billion ($ 1.20 billion invested in FY 2014). It had structured 'Maharaja Bonds' keeping in view the financing needs of the infrastructure sector. In order to cater to the requirements of different types of investors, 'Maharaja' Bonds were offered four different tranches with varying maturities at competitive rates: ? One Bullet bond of five-year maturity worth ₹ 150 crore ($ 25 million), was issued at a coupon rate of 8% p.a., which was oversubscribed 2 times; ? One Bullet bond of 10-year maturity worth ₹ 150 crore ($ 25 million) was issued at a coupon rate of 7.97% p.a., which was oversubscribed 1.30 times; and ? Two Separately Tradeable Redeemable Principal Part (STRPPs) tranches of ₹ 300 crore ($50 million) each at coupon rates ranging between 8.88%-9.00% p.a. were privately placed with investors. These offerings were made at 50 bps lower than the coupon rates of the sovereign yield curve of similar maturity. The maturities of these bonds which ranged between 13-20 years may be called back by IFC anytime before maturity because they were embedded with a call option. ? During February 2016, IFC had re-issued Maharaja Bonds worth ₹ 180 crore ($ 27 million). Again, it became the first non-government issuer to re-issue debt securities in the Indian capital markets. Two domestic investors had purchased these securities privately in STRPPs with tenors ranging from 13-18 years. Unlike in the past issue, the coupon rate dipped by 50 bps as the
Block 4: International Financial Management 40 offer was made at 8.38%. Again, the re-issue was handled by the same merchant bankers HSBC, ICICI Securities Primary Dealership, and SBI Capital Markets who were managers in 2014. These bonds were listed on the NSE and it was believed that these reissued bonds would significantly contribute to efficient price discovery mechanism in the secondary markets. Masala Bonds 'Masala' Bonds are like 'Maharaja' Bonds as they are also Rupee-linked but issued to offshore investors and listed on international exchanges. 'Masala' Bonds are attractive to the issuers because the exchange rate risk is borne by the investors. After the successful issue of 'Maharaja' Bonds in India for the first time, IFC also became the first issuer of 'Masala' Bonds worth ₹ 1,000 crore in November 2014 and got these securities listed on London Stock Exchange (LSE). Again, in August 2015, IFC raised for the first time ₹ 315 crore by issuing 'Green Masala' Bonds to invest in private sector to address climate change in India. In July 2016, HDFC became the first Indian company to issue 'Masala' Bonds and collected ₹ 3,000 crore. In the following month, NTPC issued first corporate 'Green Masala' Bonds worth ₹ 2,000 crore and became the only PSU to do so. All these 'Masala' Bonds are traded only at LSE. 8 Kerala became the first state government to go for an overseas issue of bonds. In 2019, the state government's Infrastructure Investment Board issued masala bonds to borrow Rs 2,150 crore from international bond markets. This was possible as the state governments are now permitted to borrow through the issue of overseas bonds, provided they are eligible for FDI. Masala Bond is a new financial instrument to connect global investors to Rupee financing. This enables management of foreign exchange risk. The Reserve Bank of India has opened a new funding avenue by relaxing the rules on corporate issuers for offshore-listed, Rupee-denominated debt. This allows global funds that lack a licence to buy on-shore Indian securities directly to tap straight into Indian markets. Domestic lenders with cash crunch problems and higher NPAs are not allowed to deal in this market. However, domestic lenders - many cash- poor and struggling to deal with a mountain of toxic loans are barred from packaging and selling the bonds. Nevertheless, any domestic corporate, infrastructure investment trust or real estate investment trust can now issue up to $ 750 million worth of 'Masala' bonds' in any calendar year, with a minimum print maturity of five years. Withholding tax on the bonds was set at 5%, on par with domestic corporate bonds. India Millennium Deposits In the aftermath of the dot com bust in the year 2000, the global economy was expected to witness a slump. But interest rates across the world had already 8
https://www.bqprime.com/markets/kerala-infrastructure-investment-funds-masala-bond-issue-stirs-debate

Unit 12: International Financial Markets and Financial Instruments 41 inched upwards. During October 2000, SBI rolled out the 5-year millennium deposits at a coupon rate of 8.50% p.a. on USD; 7.85% p.a. on GBP; and 6.85% p.a. on EUR where again both the SBI and the central government had assumed the entire foreign exchange risk. One per cent exchange rate depreciation was to SBI, and the rest by the Government as was the case for Residual Interest Bonds (RIBs). This issue raised $ 5.50 billion and approximately 0.75% of the NRI community was involved. Majorly, the proceeds of all the Diaspora bonds were applied for the following purposes: ? SBI which had access to $ 5.50 billion funds in multiple currencies at differential deposit rates gave loans to other banks in India by charging an additional 1.75-2.00% (175-200 bps) ? AAA rated Indian companies also had a share of the diaspora bonds ? 40% of IMD was parked in G-Secs ? The balance amount was used to fund infrastructure projects FCNR Dollar Deposits During October 2013, the Federal Reserve Bank of the USA was planning to taper off the 'Quantitative Easing' program that was initiated in the aftermath of the global financial crisis of 2008. This was expected to result in flight of capital by the 'Foreign Institutional Investors' (FIIs) from emerging markets back to the US. Generally, FIIs look beyond the developed world and invest in the emerging markets because of high growth potential. But, when interest rates increase in the FIIs' country of origin, the opportunity cost of funds is very high and has no incentive to invest outside their home country. So, they would bring back capital invested abroad which is flight of capital. For example, professionals from India go to developed world because there are more opportunities in the West (brain- drain). However, if the Government of India frames policies that put India in higher growth trajectory, most of the professionals could come back to India (reverse brain-drain). In this backdrop, the government had taken a decision to mop up NRI deposits at an attractive rate and tenure (3 to 5 years) using the FCNR deposit scheme. The reasons for the successful FCNR deposit issue was not far to seek. RBI has upped the interest rates to provide additional incentives to NRIs to invest in India under the FCNR deposit scheme. Hitherto, either the central government or the RBI assumed the foreign exchange risk. But this time, it was different, and RBI had protected the participating banks in India from possible exchange rate loss under this scheme. The RBI had offered banks the facility of swapping the US Dollar funds received from NRIs at a fixed swap rate of 3.50 %, permitting the banks at the same time to accept these deposits up to 5 years tenure at a rate

Block 4: International Financial Management 42 benchmarked to LIBOR (London Inter-Bank Offer Rate). The RBI had shut the swap window for FCNR deposits in November 2013. 9 Till July 2022, the interest rates on Foreign Currency Non-Resident Bank [FCNR (B)] deposits are subject to ceilings of Overnight Alternative Reference Rate (ARR) for the respective currency/swap plus 250 basis points for deposits of 1 year to less than 3 years maturity and overnight ARR plus 350 basis points for deposits of 3 years and above and up to 5 years maturity. In case of NRE deposits, as per extant instructions, interest rates shall not be higher than those offered by the banks on comparable domestic rupee term deposits. It has been decided to temporarily permit banks to raise fresh FCNR (B) and NRE deposits without reference to the extant regulations on interest rates, with effect from July 7, 2022. This relaxation was available for the period up to October 31, 2022. Highlights of FCNR Deposit Scheme: The following are some highlights of FCNR Deposit Scheme: ? The Income Tax Act has completely exempted the interest earned on these deposits. ? There are no restrictions on repatriation of the deposited amount along with interest earned to the country of residence of the depositor. ? Depositors are insulated from foreign exchange rate risk as interest and principal would be paid back in the currency of origin. ? Deposits under this scheme can be held in joint names by an NRI with a close relative who is a resident of India. This would facilitate smooth banking operations for NRIs in India through the resident representative who will be allowed to have 'Power of Attorney'. Diaspora Bonds, Infrastructure Bonds and Resurgent India Bonds Historically, SBI had issued Diaspora bonds on behalf of the Indian government and branded it as 'India Development Bonds', 'Resurgent India Bonds', 'India Millennium Deposits', and FCNR Deposits. All these bonds/deposits offerings by the Indian government were primarily opportunistic as they were essentially offered in crisis situations and not for any specific development purposes. They targeted NRIs (Non-Resident Indians), OCBs (Overseas Corporate Bodies) where Indians had interests and banks (which were acting in a fiduciary capacity on behalf of NRIs/OCBs). Diaspora Bond A debt instrument issued by a sovereign country or its sub-sovereign entity to its citizens residing abroad is known as Diaspora Bond. Generally, these funds are raised by nations who have a large overseas diaspora and strong remittances. 9 https://www.rbi.org.in/scripts/FS_PressRelease.aspx?prid=53979&fn=2752 July 6 th ,2022

Unit 12: International Financial Markets and Financial Instruments 43 India retained the top spot in the world in terms of remittances at $ 79 billion during 2018. However, post 2018, there were no further issue of these type of bonds. In March 2021, The Finance Minister clarified that the Government does not have any plans to reintroduce the diaspora bonds 10 . 11 Infrastructure Bonds In December 2022, SBI made the first issue of Infrastructure bonds. These are bonds that are issued for funding of infrastructure projects and affordable housing projects. SBI raised ₹ 10,000 crore in this first tranche and later in Jan, 2023 another ₹ 9,718 crore. The tenure of these bonds is 15 years and they carry an interest rate of 7.7%. Resurgent India Bonds After the nuclear tests were conducted at Pokhran by the Vajpayee government in May 1998, economic sanctions were imposed on India by USA and it had adversely impacted the international trade performance. However, the Government of India took this opportunity to tap the NRI funds by appealing to their patriotic sentiment. In the month of August 1998, State Bank of India came up with the issue of resurgent India bonds issue. These are bank instruments representing foreign currency denominated deposits in the form of promissory notes. RBI raised US$5 billion in 1998 and US$ 34 billion through FCNR deposits in 2013. Activity 12.3 Why do companies issue foreign bonds? What are the Dollar denominated bonds? Why are Indian companies inclined to raise funds by selling Dollar denominated bonds in the recent years? Answer: 12.9 Euro Credit Syndication Euro credit refers to
a loan whose denominated currency is not the lending bank's national currency.
For example, a Eurodollar is a Dollar deposit held or traded 10 https://economictimes.indiatimes.com/

markets/bonds/no-plans-to-introduce-diaspora-bonds-nirmala- sitharaman/

articleshow/81515167.cms 11 https://www.business-standard.com/article/finance/sbi-raises-rs-9-718-crore-via-infrastructure-bonds-at-7- 70-per-cent-123011801086_1.html
Block 4: International Financial Management 44 outside the U.S., Similarly a US Bank can extend a loan not denominated in US Dollars. 12 What is size of syndicated loans?

100%	MATCHING BLOCK 238/335	W

The global syndicated loans market generated $1018.7 billion in 2021, and is projected to reach $3798.4 billion by 2031, growing at a CAGR of 14.2% from 2022 to 2031. The

global syndicated loans reduced by 19%. For the half year ended September, 2022, these loans were US$2.3 trillion. Based on the volume of deals, almost 4,500 loans have approached closure phase during the first half of 2022. This figure is 19% less than the figure last year. On the positive note, the loans in the 2 nd quarter of 2022 rose 18% vis-à-vis the 1 st quarter. However, the number of loans reduced 21% when compared with quarter 1. Let us go into details. 12.9.1 The Genesis

93%	MATCHING BLOCK 232/335	W

Syndicated Euro-credits are in existence since the late 1960s. The first syndicate was organized by Bankers' Trust to arrange a large credit for Austria. During the early '70s, Euromarkets saw the demand for Euro credits increasing from non- traditional and hitherto untested borrowers. The period

93%	MATCHING BLOCK 233/335	W

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post (after) the first oil crisis in the year 1973

96%	MATCHING BLOCK 235/335	W

was marked by a boom phase. To cope with the increasing demand for funds, lenders expanded their business without undertaking due credit appraisal of their clients or the countries thus financed. Further, the European banks had short-term deposits while most of

96%	MATCHING BLOCK 236/335	W

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the

96%	MATCHING BLOCK 237/335	W

borrowers required long-term deposits. These loans were at fixed rates, thus exposing these banks to interest rate risks. The banks evolved the concept of lending funds for medium/long-term i.e. 7-15 years on a variable interest rate basis linked to the

96%	MATCHING BLOCK 239/335	W

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London

82%	MATCHING BLOCK 240/335	W

Interbank Offer Rate (LIBOR). Revision of rates would take place every 3-6 months. Initially these loans were extended in currencies denominated by Yen, US$, Swiss Franc, DM and European Currency Unit (ECU). Loan amortization would be by way of half-yearly installments on completion of 2-3 years of grace period. This instrument on a variable interest rate basis has emerged as one of the most notable and popular financing instruments in the international financial markets. 'Syndicated Credit' remains as

82%	MATCHING BLOCK 241/335	W

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the

91%	MATCHING BLOCK 242/335	W

simplest way for different types of borrowers to raise forex finances. Syndicates are classified into two types – 'club

91%	MATCHING BLOCK 243/335	W

simplest way for different types of borrowers to raise forex finances. Syndicates are classified into two types – 'club

loans' and 'syndicated loans'. The '
club loan' is a private arrangement between lending banks

87%	MATCHING BLOCK 244/335	W

and a borrower. Conventionally, the entry into Euromarkets for a funding deal is well-publicized. When the loan amounts are small and parties

87%	MATCHING BLOCK 245/335	W

and a borrower. Conventionally, the entry into Euromarkets for a funding deal is well-publicized. When the loan amounts are small and parties

are familiar with each other, 12
Source: https://www.globenewswire.com/en/news-release/2022/11/01/2545606/0/en/

100%	MATCHING BLOCK 246/335	W

Global-Syndicated- Loans-Market-to-Reach-3798-4-Billion-by-2031-Allied-Market-Research.

html
Unit 12: International Financial Markets and Financial Instruments 45 different

100%	MATCHING BLOCK 247/335	W

lending banks form a club and advance a loan. Therefore, in view of this private arrangement, an information memorandum is not complied

100%	MATCHING BLOCK 248/335	W

lending banks form a club and advance a loan. Therefore, in view of this private arrangement, an information memorandum is not complied

with

97%	MATCHING BLOCK 249/335	W

and neither is the deal publicized in the financial press. Syndicate credits are created when lenders and borrowers come together and execute an agreement, defining terms and conditions, under which a loan can be advanced. These procedures and practices have, over the years, been developed and perfected so that a standard package has evolved now.

97%	MATCHING BLOCK 250/335	W

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Example: German Takeaway Company Launches Euro Financing Syndication German takeaway company

76%	MATCHING BLOCK 258/335	W

Delivery Hero (DHER.DE) had launched a debt financing syndication equal to 1.4 billion euros ($1.55 billion) with proceeds to be used to bolster its liquidity position. The proceeds from a $825-million-term facility and 300-million-euro term facility, with a maturity of 5.25 years, would be also used for refinancing of convertible debt at maturity, working capital and guarantees and other general corporate purposes. Further the company entered into a revolving credit facility to the extent of 375 million euros with a consortium of

bank. Euro credit refers to
a loan whose denominated currency is not the lending bank's national Currency.
Source: https://www.reuters.com/business/delivery-hero-launches-14-bln-euro-debt-financing- syndication-2022-04-04/ dated 4 th April 2022; Date of access- 1 st August 2022 12.9.2

93%	MATCHING BLOCK 251/335	W

Documentation Formalities Along with the syndication process, the lead manager/lead bank also initiates action of drafting the loan documentation, comprising an information memorandum and loan agreement. The information memorandum describes the borrowing entity, its formation, ownership and management. A detailed account of operations (past and present), and the cash flow position (along with a summary of the financials) find an important place in it. It must be noted that the information memorandum does not have the similar status and recognition as a prospectus. Hence, the lead manager

93%	MATCHING BLOCK 252/335	W

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does not

100%	MATCHING BLOCK 253/335	W

take any responsibility for its accuracy. The information memorandum also contains

100%	MATCHING BLOCK 254/335	W

take any responsibility for its accuracy. The information memorandum also contains

an elaborate

100%	MATCHING BLOCK 255/335	W

description of the guarantor, in case loans carry a state guarantee. Many developing country transactions carry the guarantee of their respective governments and conventions

100%	MATCHING BLOCK 256/335	W

description of the guarantor, in case loans carry a state guarantee. Many developing country transactions carry the guarantee of their respective governments and conventions

that

95%	MATCHING BLOCK 257/335	W

have evolved for describing the guarantor. Since the information memorandum is registered with any stock exchange, it does not carry the weightage of a bond issue prospectus. However, it is an important document from the commercial aspect. Prospective lenders rely upon the statements it carries and hence due diligence must be observed.

95%	MATCHING BLOCK 259/335	W

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Block 4: International Financial Management 46

90%	MATCHING BLOCK 260/335	W

The principal loan document is the loan agreement. It is the responsibility of the lead manager to draft and conclude it satisfactorily. The agreement is signed by all participating banks and the borrower. It describes the basic transaction, drawdown arrangements, interest rate and its determination, commitment fees, warranties and undertakings, default circumstances, financial covenants (if any), agent bank and the participating banks. The loan is underwritten by a management group assembled by the lead bank. Sometimes the lead bank itself underwrites more than half of the loan amount. 12.9.3 Pricing Methodology As mentioned earlier, the loan will be charged at an interest rate that is linked to the bench mark rate (earlier LIBOR). The rate will be ARR plus the spread the bank would like to maintain. This spread which may be anywhere from 0.125 percent to 1.5 percent, may remain constant over the life of the loan or may be changed after a certain fixed number of years. In addition, the lead manager's fee, which will be 0.125 percent of the loan, the commitment fee of 0.5 percent on the undrawn loan amount and agent's fee will be the total annual charges. Front-end charges include participation fee for the banks taking part in the loan and the management fees for the underwriting banks and lead banks. These loans will require a bank guarantee and the bank should comply the capital adequacy norms. However, there are no other collaterals attached. 12.9.4 Indian Scenario While the early '80s saw the Indian PSUs, banks, and FIs raise funds by way of syndicated loans, subsequent rating position of India did not seem to be congenial for the same. Future borrowings with this method of loan syndication will also depend to a large extent on this sovereign rating.

90%	MATCHING BLOCK 261/335	W

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For example in Jan 2022, Rural Electrification Corporation (REC)

100%	MATCHING BLOCK 264/335	W

raised $1.18 billion from a consortium of seven banks as the Mandated Lead Arrangers and Bookrunners (MLABs), making it the single largest syndicated loan raised in the international bank loan market by an Indian NBFC 13 . 12.9.5

Offshore Banking

97%	MATCHING BLOCK 262/335	W

Offshore banking has been described as "financial intermediation performed primarily for borrowers and depositors who are not residents of the country where the bank is located. Its principal attraction is its freedom from expensive and intrusive official regulation". In simple words, offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 13

97%	MATCHING BLOCK 263/335	W

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https://www.thehindubusinessline.com/companies/

100%	MATCHING BLOCK 265/335	W

rec-closes-118-billion-term-loan-largest-syndicated- term-loan-by-an-indian-nbfc/

article64825227.ece
Unit 12: International Financial Markets and Financial Instruments 47 12.10 Strategic Considerations The companies that are contemplating to tap the avenues of international finance should consider the factors that assess the ability of the instrument to raise finances for the company. One important factor that needs to be considered is the instrument maturity and its consequent impact on the asset-liability balance. However, external financing is subject to a series of uncertainties concerning the basic element of cost in terms of interest rate and exchange rate changes between currency and in the margins payable in respect of Euro notes issuance programs. Hence, a thorough strategy must be chalked out to avoid any pitfalls and help the company garner. For such a strategy, each of the instruments needs to be analyzed from the various points. The Table 12.2 below compares each of the instruments on the basis of critical parameters. Table 12.2: Comparative Analysis of Financial Instruments Euro-loans Loans are amortizing medium-term financing facilities extended by Euro banks having a maturity period of 7 years. They are commonly assessed by customers and are available in two forms: club (private) and syndicated loan (public). Amortization on loans is made in the form of half-yearly payments after grace period. The interest rates charged on these loans include LIBOR + Margin. Management fee is charged on loans at a flat rate of 1/2 % whereas the commitment fee is charged at a rate of 1/4% on undrawn balances. The out-of-pocket expenses on loans accumulates to $ 50,000 and agency fee is charged annually on a recurring basis. Banks issue guarantees on loans. Bonds Bonds are securities issued to primary investors through a prospectus having a maturity period of 7 years. Bonds have a very selective access and are available in two forms: 'Floating Rate' (FRNs) and 'Fixed Rate' (straights) bonds. Amortization on bonds is made in 'Bullet Payment'. The interest rates charged on FRNs include ARR (earlier LIBOR) + Margin; and straights are charged based on benchmarks. Management fee is charged on bonds at a flat rate of 2 – 3%. The out-of-pocket expenses on bonds accumulate to $ 200,000 and the paying agent's commission is charged annually on a recurring basis. Euro notes Euro notes are short-term notes issued under a medium-term program having a maturity period of 3-6 months for investors Contd....

Block 4: International Financial Management 48 and 3-5 years for issuers. Only the professional investors/issuers have the access to Euro notes, and they are available in the form of Commercial Paper (non-under written) and NIFs (underwritten). Amortization on Euro notes is made in the form of continuous payments. The interest rates charged on Euro notes include ARR (earlier LIBOR) + Margin. Management fee charged on Euro notes is negligible. The out-of-pocket expenses on bonds accumulate to $ 25,000. Euro equities Euro equities are forex denominated equity issued to non- residents – backed by underlying Rupee shares having a maturity period of 3-5 years for convertibles. They are available to customers based on the strength of their balance sheets and are available in the form of global depository rights and Euro convertibles. Amortization on convertibles is made through 'Bullet Payment'. The interest on convertibles is charged at the rate below bond rates. Management fee is charged on Euro equities at a flat rate of 3 – 5%. The out-of-pocket expenses on bonds accumulate to $ 400,000 and the custodian fees and depository fees are charged annually on a recurring basis. Source: ICFAI Research Center Therefore, from the above table, the company may decide on the various parameters before deciding on the instrument. For example, for a company which hopes to get the state guarantee, and which has a capability to go-in for the bullet repayment may opt for 'bonds' as the instrument. Credit rating also plays a major role in deciding the type of instruments that the company selects for its international finance. Typically, debt rating of the company is a current assessment of the credit-worthiness of an obligor with respect to a specific obligation. Standard & Poor and Moody are two major rating agencies which assess the companies that tap the international market. The rating process analyzes the financials of the company - present as well as future, since in the ultimate analysis the financial strength of the company acts as an indicator of bond issues. The credit rating that the company obtains from the agencies will ultimately decide the investment strategy of the fund manager interested in the company. Last but not the least, the market which the company prefers to tap is also a consideration to be dwelt upon. The various parameters that constitute the market are tabulated (Table 12.3) for various major markets around the globe.

Unit 12: International Financial Markets and Financial Instruments 49 Table 12.3: Comparative Analysis of Global Financial Markets US The US market is the biggest and versatile market having the most popular currency Dollar ($). The financial market in the US is regulated under the Securities Act 1933; and the Securities and Exchange Act, 1934. The credit rating in the US is formalized and obligatory. Under the Glass Steagall Act, sharp distinction is considered between banks and merchant banks. The US market issues multiple instruments such as CP, MTNs, and Bonds, etc. The documentation procedure in the US is complex and detailed and is reviewed by the SEC. Prime lending treasury rates, commercial paper rates are taken as benchmarks. The overall market is bold and competitive. Japan Japan was a late entry into global financial markets enjoying steady interest rates. The financial market in Japan is regulated by its Ministry of Finance. The market is monitored, controlled yet competitive. They rely on the US ratings for assessment. Under Article 65 of the SEC, sharp demarcation is considered between banks and securities companies. The Japanese market issues multiple instruments such as Samurai, Shibosai bonds, loans, etc. The documentation procedure in Japan is complex and is original in Japanese. Long-term prime rates, Gensaki rate (short- term) are taken as benchmarks. The overall market is quiet but effective, based on consensus. Swiss / German Swiss and German markets are the biggest foreign bond markets having low interest rates. There are no formal laws for regulation of securities, yet the central bank (BUBA/SNB) monitors the markets. The credit rating is informal yet effective. These markets follow universal banking. The Swiss and German markets believe in simplicity of approach and comprise public and unlisted bonds. The documentation procedure is compact and simplest. The overall market is cautious and conservative. Euromarkets 'Euromarkets' is the single wholesale market – EU-wide capital rising having common legal framework for integrated securities and derivatives markets. There is no specific legislation for regulation of securities. The regulatory framework in Euromarkets is market driven and Contd....

Block 4: International Financial Management 50 BIS norms on capital adequacy and banking prudence are ensured. The credit rating is not obligatory, they lay emphasis on internal rating. No formal distinction is considered between banking and merchant banking. The Euro markets comprise instruments such as loans, bonds, Euro notes, Euro equities, etc. They have elaborate documentation procedure sought for protection against risks. LIBOR is taken as a benchmark. The overall market is bold and innovative. Source: ICFAI Research Center Again, the company which has the capability to go through the complex process of the SEC and which can claim popularity among the QIBs of the US, may go in for the American (US) market and gain the advantage of a large market. Hence, unless the company ponders and ruminates over the parameters listed above and arrives at a strategy, it cannot evolve its financing plan. Example: Weakening of Euro Currencies, a Windfall for Indian Euro Loan Borrowers Europe's single currency has dropped below parity against the dollar for the first time in almost 20 years, due to growing recession fears in the euro area. Indian companies that had raised euro-denominated debt are happy as they would repay less at maturity and while servicing interest, as the European currency had weakened against the dollar. Euro currency slumped to as low as $0.9998 and was down almost 12% against $. Euro loans comprised

of banks that accepted deposits and provided loans in large denominations and in a variety of currencies.

The banks that constituted were the same banks that constituted the Eurocurrency market. Sources: i) text=The%20euro%20has%20fallen%20below%20parity%20with%20the%20dollar%2C%20diving,rate%20with%20the%20U.S.%20currency.&text=It's%20a%20psychological%20b arrier%20in%20the%20markets. Dated 23 rd August 2022- Date of access- 2 nd December 2022 ii) https://economictimes.indiatimes.com/markets/forex/why-the-euros-fall-below-parity-versus- dollar-matters/articleshow/ 92857151. cms dated 13 th July 2022; Date of access- 1 st August 2022 Check Your Progress - 2 6. Which of the following type of bonds carry a definite interest rate and are redeemable at face value? a. Fixed rate bonds b. Floating rate bonds

Unit 12: International Financial Markets and Financial Instruments 51 c. Yankee bonds d. Samurai bonds e. Shibosai bonds 7. Which of the following notes allow the investors to

94%	MATCHING BLOCK 266/335	W

have the option to convert paper into flat interest paying instrument at the end of a period

and can change into perpetual note on maturity? a. Perpetual FRNs b. Capped FRNs c. Mini-Max FRNs d. Flip-Flop FRNs e. Rolling rate FRNs 8. What is the name given financial institute extends loans as a private arrangement formed between lender and borrowers which neither requires any compilation of information memorandum, or the deal to be publicized? a. Club loans b. Syndicated loans c. Loan amortization d. Short-term credits e. Term loans 9. What is the term used when

75%	MATCHING BLOCK 267/335	W

a bank offers its services of accepting and extending credits to foreign residents in any currency?

75%	MATCHING BLOCK 268/335	W

a bank offers its services of accepting and extending credits to foreign residents in any currency?

a. Onsite banking b. Offshore banking c. Advisory banking d. Proximity banking e. Correspondent banking 10. Which of the following is the forex denominated equity available to customers based on the strength of their balance sheets, available in the form of global depository rights and Euro convertibles? a. Euro loans b. Eurobonds c. Euro notes d. Euro credits e. Euro equities

Block 4: International Financial Management 52 12.11 Summary ? Funds flow from surplus units to deficit units. Many of the corporates meet their funds requirement from international markets as funds are available at cheaper prices. ? After liberalizations many Indian corporates approached International markets for their funds requirement. ? International markets offer variety of equity instruments, debt instruments and hybrid instruments. ? In the equity segment apart from common stock, ADRs and GDRs are popular instruments. ? In the debt segment Eurobonds, foreign bonds, Euro notes, Euro credit syndication are some of the instruments popular in the market. ? In the Indian scenario, the regulatory frame work facilitated the corporates/the banks/FI to issue instruments like India millennium bonds India Millennium Deposits and FCNR Deposits, Diaspora Bonds, India Development Bonds and Resurgent India Bonds, Masala Bonds, Maharaja Bonds. ? Corporates take a view to choose which type instrument will meet their objectives. 12.12 Glossary

American Depository Receipts is a Dollar denominated negotiable certificate; it represents a non-US company's publicly traded equity. Balance of Payments is the account showing movements of goods, services and capital between a country and the rest of the world. Convertible Currency refers to a currency that is freely convertible to any other currency. Based on the transactions for which such conversion is allowed, the currency may be either convertible on the capital account or on the current account. Cross Rate is the exchange rate between two currencies calculated by using their exchange rates with a third currency. Euro is the new common currency for 17 member states of Europe which came into effect from the year 2002. Eurodollar refers to a currency outside its home country. For example, a Dollar deposit outside the US is referred to as a Eurodollar deposit. Financial Intermediary is an entity that acts as the intermediary between the saver and the borrower in a financial transaction.

Unit 12: International Financial Markets and Financial Instruments 53 Floating Rate Notes are bonds with coupon rate that changes from period to period, with reference to some market rate like LIBOR. LIBOR is the London Inter-Bank Offer Rate, the reference rate for most of the international financial transactions. It exists for various currencies and for different maturities. Multinational Corporation (MNC) is a company that operates in several countries. 12.13 Self-Assessment Test 1. "

86%	MATCHING BLOCK 270/335	W

The need for external borrowing in a country's economy can be gauged from the National Income and Balance of Payments position"-

Elucidate. 2. Explain the significance of India's presence in international markets and state the reasons why international investors view India as an emerging destination for developments and advancements. 3. "Domestic capital structuring segregate international financing into equity and debt financing"- Explain. 4. Discuss the role of various financial players in the international market. 5. Describe in detail the transaction mode and activities of foreign equity instruments that can be used in international markets to meet the financial resources of MNCs. 6. Enumerate on the documentation process of Euro issues in the international market. 7. Explain the categorization of Eurobonds. 8. State the kinds of popular foreign bonds used by companies in the international financial markets. 9. Give the difference between a Commercial Paper and Medium-Term Notes. 10. Explain the nature and determining elements of Euro credit syndication. 12.14 Suggested Readings/Reference Materials 1. Francis Cherunilam, International Business - Text and Cases, 6 th Edition, PHI Learning. 2. P G Apte (2020), International Financial Management, McGraw Hill Education (India) Private Limited. 3. Madhu Vij (2021). International Financial Management – Text and Cases. 4 th edition. Taxmann. 4. Charles W. L. Hill, G. Tomas M. Hult (2021). International Business. 12 th edition. McGraw Hill Education (India) Private Limited.
Block 4: International Financial Management 54 5. Choel S. Eun & Bruce G. Resnick (2022). International Financial Management. 8 th edition. McGraw Hill Education (India) Private Limited. 6. K. Aswathappa (2020). International Business. 7 th edition. McGraw Hill Education (India) Private Limited. 12.15 Answers to Check Your Progress Questions 1. (b) Overbearing to healthy economic indicators All other stated options (a, c, d and e) are the reasons for international markets to have a different perspective on India's investments scenario. 2. (b) Eurobonds 'Dollar denominated bonds' is one kind of Eurobonds that is denominated in a currency not native to the country to meet the financial needs of a company. For example, Eurodollar bonds are Euro denominated American (US) Dollar bonds rolled out in the international market. 3. (d) Pricing The

100%	MATCHING BLOCK 271/335	W

pricing of an international issue would be a factor of interest rates,

also for

95%	MATCHING BLOCK 272/335	W

the value of the underlying stock in the domestic market. Based on these factors, the issue price conversion premium would be decided. 4. (

b) Lead Manager Lead managers undertake due diligence and preparation of offer circular, marketing the issues and arrange for roadshows. 5. (a) Global Depository Receipts (GDRs) Global Depository Receipts (GDRs) are negotiable instruments that represent publicly traded local currency equity shares in international market. 6. (

87%	MATCHING BLOCK 273/335	W

a) Fixed Rate Bonds Fixed Rate Bonds are fixed interest-bearing securities which are redeemable at face value. These unsecured bonds which are floated in domestic markets or international markets, are denominated in the respective currency with interest rates fixed based on a certain formula applicable in a given market. The bonds issued in the Euro-market referred to as Euro-bonds, have interest rates fixed with reference to the

credit-worthiness of the issuer. 7. (
d) Flip-Flop FRN's The investors holding these notes

98%	MATCHING BLOCK 274/335	W

have the option to convert the paper into flat interest paying instrument at the end of a period. The investor could change his mind and convert the note into perpetual note once again at maturity.

Unit 12: International Financial Markets and Financial Instruments 55 8. (a) Club
loans
The '
club loan' is a private arrangement between lending banks

87%	MATCHING BLOCK 275/335	W

and a borrower. Conventionally, the entry into Euromarkets for a funding deal is well-publicized. When the loan amounts are small and parties

87%	MATCHING BLOCK 276/335	W

and a borrower. Conventionally, the entry into Euromarkets for a funding deal is well-publicized. When the loan amounts are small and parties

are

95%	MATCHING BLOCK 277/335	W

familiar with each other, lending banks form a club and advance a loan. Therefore, in view of this private arrangement, an information memorandum is not compiled, and neither is the deal publicized in the financial press. 9. (

95%	MATCHING BLOCK 278/335	W

familiar with each other, lending banks form a club and advance a loan. Therefore, in view of this private arrangement, an information memorandum is not compiled, and neither is the deal publicized in the financial press. 9. (

b) Offshore Banking

100%	MATCHING BLOCK 279/335	W

Offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 10. (

100%	MATCHING BLOCK 280/335	W

Offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 10. (

e) Euro Equities Euro equities are forex denominated equity available to customers based on the strength of their balance sheets and are available in the form of global depository rights and Euro convertibles.
Unit 13 International Equity Investments Structure 13.1 Introduction 13.2 Objectives 13.3 Advantages of International Equity Investments 13.4 Risks of International Investments 13.5 International CAPM 13.6 Segmentation of Markets 13.7 International Listing 13.8 Guidelines for FPI Investments in India 13.9
Summary 13.10 Glossary 13.11 Self-Assessment Test 13.12 Suggested Readings/Reference Materials 13.13 Answers to Check Your Progress Questions "
An investment in knowledge pays the best interest." - Benjamin Franklin, Founding Father of the United States 13.1 Introduction Do the necessary research and analysis before making any investment decision. In the previous unit “International Financial Markets and Financial Instruments” issues related flow of external funds into a country were outlined. These factors are

100%	MATCHING BLOCK 281/335	W

like the policy guidelines of the country on commercial borrowings by individual entities, the exchange control regulations of the country, the interest rate ceilings in the financial sector and the structure of taxation

etc. Some of the aspects for mobilizing the sources of external funds which include assistance from international organizations in the form of aid, commercial borrowings, FII, FDI were discussed. Another important source of funding in the international market is raising of equity. International equity provides diversification benefits to the investors. Investment in the equity capital of foreign companies is one of the ways through which capital movements take place across countries. This unit discusses this aspect of integration and covers such investments where the holdings are not big enough to let the investor enjoy control over the management of the company.
Unit 13: International Equity Investments 57 13.2

62%	MATCHING BLOCK 282/335	W

Objectives After studying this unit, you should be able to ? State briefly the advantages of international

equity investments ? Discuss the risks of international investments ? Analyze the statistical measure of ‘International

Capital Asset Pricing Model' (CAPM) ? State the reasons for segmentation of markets ? Describe the significance of international listing; and ? Discuss the regulatory framework of SEBI (Securities and Exchange Board of India) regulations for FPI (Foreign Portfolio Investors) investments in India. 13.3 Advantages of International Equity Investments Investment in foreign securities offers similar diversification benefits, as investment in a diversified domestic portfolio does. According to the CAPM, diversifying investments over a number of securities can help an investor in reducing his risk level for increasing his return or for a given level of return for a given level of risk, provided that the returns on the securities have a low positive correlation or a negative correlation. Extending the same logic to international investments, diversifying across national boundaries would result in the investor increasing the returns or reducing his risk. This happens because different countries would be generally at different points of the economic cycle at a given time. Secondly, several factors that affect share prices (like fiscal and monetary policies, tax structures, political scenario etc.) vary from one country to another country. Furthermore, industrial structures vary across countries and thus an international event affecting the entire world affects them differently. Under these circumstances the correlation between these economies are not significant hence the scenario provides diversification benefits. Recalling CAPM, even if the returns offered by the foreign securities are less than that offered by the domestic securities, diversification may still benefit by reducing the risk more than the reduction in returns. The returns on a foreign security would be denominated in the foreign currency. The rate at which the realizations from the security would be converted into the domestic currency is most likely to be different from the rate at which currency conversion took place at the time of investment, due to the volatile nature of the forex markets. Due to this, the returns from a foreign security in terms of the domestic currency has two components – the return from the security in foreign currency terms, and the returns due to changes in the exchange rate over the period of investment. Hence, the expected returns on a foreign security can be represented by the following equation:

Block 4: International Financial Management 58 Expected domestic returns on foreign currency = r f + $\bar{s}$ ...Eq. (1) Where, r f is the expected return in foreign currency terms and $\bar{s}$ is the expected change in the exchange rate. Example: $685 Million raised by Chinese Battery maker Gotion High-Tech Co through GDR (Global Depository Receipts) Chinese battery maker Gotion High Tech company has raised $ 685 million by using 22.8 million GDR's in Swizerland.at $ 30/each. Each GDR represents 5 China listed A company shares and are traded at 30 to 30.28$ apiece. This had appositive impact in China where the shares in Shenzhen rose by 3% and in turn improved the market value of the company by around $ 10.5 billion. The investors also diversified their risk. According to Capital asset pricing model (CAPM), Investment in foreign securities covering over a number of securities could help an investor in reducing the risk while increasing the returns which comprised of has two components – the return from the security in foreign currency terms, and the returns due to changes in the exchange rate over the period of investment Source: https://www.bloomberg.com/news/articles/2022-07-26/china-s-gotion-high-tech-raises- 685-million-in-zurich-switzerland-gdr-sale-sources-say dated 26th July 2022 Date of access- 14.08.22 13.4 Risks of International Investments Investments in foreign securities carry some additional risks when compared to that of domestic investments. These risks arise from the uncertainties related to the conversion of the realization proceeds into the domestic currency. These can be broadly classified as 'country (or political) risk' and 'currency (or exchange) risk'. 'Country risk' is the uncertainty as to whether the investor would be able to convert the realization proceeds into the domestic currency. This risk arises due to the possibility of the foreign government preventing the conversion of its currency for various reasons. The government may even expropriate the security, which would result in a complete loss to the investor. 'Currency risk' is the uncertainty as to the rate at which the realization proceeds would be converted into the domestic currency. As this rate would not be known in advance, there would be the risk of a loss due to an unfavorable movement of the exchange rate. This risk can be hedged to a certain extent by covering it in the forwards, futures, options or forward markets. Yet, the costs of 'hedging' must be considered while taking such a step. Another way to reduce these risks is to invest across many countries, so that a loss suffered due to the weakening

Unit 13: International Equity Investments 59 currency of one country would get at least partially offset by the gains on the stronger currency. Sometimes, there may not be a 'currency risk' at all as investors may be buyers of other goods (not being securities) in those very markets in which they invest, thus eliminating the need to convert the currencies. Though it is not possible to measure the 'political risk', 'currency risk' can be measured and factored into the risk of foreign investment. From Eq. 1 it follows that Variance of domestic currency returns on foreign investment = Var(r f) + Var(S) + 2 Cov(r f , S) ....(Eq. 2) Example: China's regulatory crackdown on Foreign Companies The government of China's crackdown on the 37 billion $ IPO of Ant Group was the first step in the crackdown list which

59%	MATCHING BLOCK 283/335	W

has wiped out from the market value of Chinese companies more than $1 trillion worldwide. The fears about the prospects of future innovation and growth in China

became a reality and the impact was unpresidential which includes the following: a. Some of the top and successful entrepreneurs quit their high-profile jobs b. Big ticket investments were postponed c. Companies were forced to pledge billions $ of their profits for social causes which impacted their profits. d. Political interference has dampened the entrepreneurial spirits e. Currency dropped 0.2% during August 2021 in Hong Kong

66%	MATCHING BLOCK 284/335	W

In a survey carried out by the American Chamber of Commerce of Hong Kong in 2021, more than 40 percent of expats had left or decided to leave due to concerns over national security law imposed by China in 2020.

Nearly half of all European businesses in Hong Kong had decided to relocate. More than 80% of US firms in Hong Kong had been impacted by the national security law Thus, the political risk had impacted the international investment in Hong Kong. Sources: i) https://edition.cnn.com/2021/11/02/tech/china-economy-crackdown-private- companies-intl-hnk/index.html dated 3 rd November 2021, Date of access- 06.12.22 ii) https://www.aljazeera.com/

83%	MATCHING BLOCK 287/335	W

economy/2022/6/30/as-china-tightens-grip-hong-kongs-luster-as- world-city-dims 30

th June 2022, Date of access- 16 th August 2022. Equation 2 shows that the risk on foreign investment consists of three elements – the variability of the returns on the foreign security, the variability of the exchange rate, and the co-variance between the 'exchange rate and the returns on the foreign security'. Hence, exchange rates increase the riskiness of a foreign

Block 4: International Financial Management 60 investment by being volatile, and more so if they are positively correlated with the foreign security returns. Figure 13.1 depicts the diversification benefits of international investments. Figure 13.1: The Benefits of International Diversification with Hedged and Unhedged Exchange Risk Source: ICFAI Research Center 13.5 International CAPM The CAPM provides that the investors in a security are compensated only for the 'systematic risk' of the security, and that the 'unsystematic risk' can be diversified. The 'systematic risk' of the security

is measured by the sensitivity of the security returns to a change in the market returns, given by the 'beta' of the security. International CAPM extends the same logic to the world security markets in entirety. According to this theory, the market portfolio includes all the securities available in any of the countries, and the 'beta' of a security measures the sensitivity of the security returns to a change in the returns on this extended market portfolio. Thus, restricting one's investments to the domestic market would imply being below the efficiency frontier. As per the international CAPM,

62%	MATCHING BLOCK 285/335	W

the return on a security is r i = r f + (r w – r f) Where, r f =

World risk-free rate of return w β = World beta of the security 14 = i w w Cov(r ,r) Var(r) r w = Return on the world-market portfolio. Using international CAPM, Expected return = Risk Free Rate + [Beta x Market Return Premium] 14 It is similar to beta of a security with reference to market, where r m is used. Risk % Domestic stocks International unhedged International hedged Number of stocks Unit 13: International Equity Investments 61 Capital market line Risk, ? r f r w r j Expected return Figure 13.2 portrays the international CAPM. Figure 13.2: The International CAPM Source: ICFAI Research Center However, it is very difficult to apply this model in real life due to the difficulties in estimating the various variables involved. Yet, the implications of this model are very important for evaluating the usefulness of international investments. If this model would hold good, holding a purely domestic portfolio would involve foregoing some return or taking on additional risk than that which is warranted by the returns, considering that a purely domestic portfolio would be below the efficiency frontier. The above discussion assumes that there are no restrictions on foreign investments and that all the currencies of the world are completely convertible. The absence of any of these factors gives rise to segmentation of markets. Example: Calculation of Expected Return using international Capital Asset Pricing Model (CAPM) Let us assume the following information about a stock of ABC company ? The stock was traded on the New York Stock Exchange and its operations were based in the United States. ? Current yield on a U.S. 10-year treasury is 2% ? The average excess historical annual return for U.S. stocks was 5.5% ? The beta of the stock was 1.20 (The average return was 1.20 x as volatile as the S&P500 over the last three years) The expected rate of return using the ICAPM the formula was. Expected return = Risk Free Rate + [Beta x Market Return Premium] Expected return = 2 % + [1.20 x 5.5%] Expected return = 6.62 % Contd....

Block 4: International Financial Management 62 International CAPM provided coverage to investors for the systematic risk of the security which was measured by the sensitivity of the security returns to a change in the market returns, given by the 'beta' of the security No source and date of access as the example is a hypothetical one. Activity 13.1 How would you assess the growth rate of international investments and nature of risk involved in international investments for Indian companies? Discuss the pros and cons of equity trading in international financial markets. Answer: Check Your Progress - 1 1. Identify the nature of return of securities when Capital Asset Pricing Model (CAPM) would be a feasible option to evaluate the return and level of risk in investments. a. Positively correlated b. Negatively correlated c. Highly negative correlated d. Highly positive correlated e. Not correlated 2. Which of the following expression represents the expected domestic returns on foreign currency? a. r f + S b. r f - S c. r f * S d. r f / S

Unit 13: International Equity Investments 63 e. r f ^ S 3. From the notations, identify the exact form in the below equation which denotes the risk on foreign investments? a. 2 Cov(r f , S) * Var(r f) - Var(S) b. Var(r f) + Var(S) - 2 Cov(r f , S) c. 2 Cov(r f , S) - Var(r f) * Var(S) d. Var(r f) + Var(S) + 2 Cov(r f , S) e. Var(S) * Var(r f) + 2 Cov(r f , S) 4. Which of the following logical statement is not true in relation to the CAPM model? a. Investors are compensated only for the systematic risk as the unsystematic risk can be diversified away b. Investing in domestic securities implies investments below efficient frontier c. Investors are compensated only for the unsystematic risk as the systematic risk can be diversified away d. Systematic risks are measured by sensitivity of security returns to change in market returns e. Sensitivity of risks in securities are measured based on the beta value of the security 5. Which of the following equation would help to compute world beta of security? a. Cov(

42%	MATCHING BLOCK 286/335	W

r i) Var (r w) b. Cov(r i ,r w) Var (r w) c. Cov(r w) Var (r i) d. Cov(r f r i) Var (r

w) e. Cov(r f) Var (r w) 13.6 Segmentation of Markets 'Segmentation' or the non-integration of markets can result from several factors. These are:

Block 4: International Financial Management 64 ? Regulations restricting foreign investments: The presence of regulations restricting or prohibiting foreign investments prevent the market forces from acting in a manner which results in the integration of the markets. ? Non-convertibility of currencies: Non-convertibility of currencies makes it impossible for investors to invest in foreign securities, and hence, results in segmentation of markets. ? Home-country bias: Some investors do not feel comfortable investing abroad and prefer to invest only in domestic securities. This prevents integration of markets. ? Indirect barriers: Investment in foreign securities is restricted by the presence of indirect barriers in the form of non-availability of information regarding foreign securities, or the difficulty in interpreting such information. Segmentation of markets results in the possibility of abnormal gains for those investors who can overcome these barriers and invest abroad. Example: Countries Tighten their Screening Regulations for FDI Due to trade protectionism, FDI regulations across the world increased. Further due to the predatory behaviour, many governments started protecting the critical assets by putting into place various measures. There were 21 such restrictions in 2021 that has increased to over 50 in 2022 as per the report of UN Conference on Trade and Development's world investment report. For FDI investments from the neighboring countries, prior approval from the Government of India was made mandatory. This is to restrict Chinese, Pakistan and Bangladesh investments in general and China in particular.

78%	MATCHING BLOCK 288/335	W

The revised FDI policy was aimed at preventing opportunistic takeovers/ acquisitions of Indian companies.

Government regulations restricting or prohibiting foreign investments prevented the market forces from acting in a manner which resulted in the integration of the markets. Source: i) https://www.investmentmonitor.ai/analysis/top-fdi-locations-continue-to-tighten-their- screening-regulations dated 16th December 2021 ii) https://www.thehindu.com/

100%	MATCHING BLOCK 289/335	W

business/Economy/government-nod-mandatory-for-fdi-from- neighbouring-countries/

article61948561.ece dated 03.12.21 Date of access- 16 th August-22 13.7 International Listing Some companies get their shares listed not only on the domestic bourses, but also on stock exchanges in foreign countries. This is done either through a direct listing or through the 'Global Depository Receipt' (GDR) route. A GDR is a financial asset representing indirect ownership of a specified number of shares of

Unit 13: International Equity Investments 65 a foreign company. The shares are held in the custody of a custodian based in the country of the issuing company. A domestic listing of a foreign security removes lot of problems and risks involved with international investments. In case of a GDR, the investor does not face 'currency risk' (at least on capital gains) as the instrument

is denominated

in the currency of the country where it is issued

and is listed and traded on a domestic stock exchange. The investors are also not subjected to the regulations of the issuing country, which reduces the 'country risk' to a large extent. Other technical matters like conversion of dividend payments into the domestic currency and collection of financial reports are taken care of by a domestic depository on behalf of the investors. Thus, the domestic listing of foreign securities provides the benefits of international diversification without exposing the investor to many of its risks. Example: New International Listing Policy for Indian Companies The new IPO opportunities for Indian companies would be increased once the Direct Overseas Listing Policy would be introduced. The Indian companies would then get its stocks listed on select overseas stock exchanges by issuing their common equity shares to overseas investors The overseas Listing Policy would also allow foreign companies the ability to list on Indian exchanges. Indian companies would have new options due to the listing policy as they would get easy access to listing their stocks on an overseas exchanges. Because, these companies need not undergo the complicated and tax related procedures which were unfavourable for changing their incorporation to an overseas jurisdiction. In addition to the above, these companies need not go through domestic listing process to access the international equity capital through issuance of DRs (Depository Receipts). Government of India had also planned to provide capital gains exemption to the shares of Indian companies listed in various stock exchanges directly and this includes both American Depository Receipts (ADR's) and Global Depository Receipts (GDR's.) Though there might be fewer companies, it was a major first step according to the officials since the compliance cost for direct listing would be very high in New York Stock Exchange and NASDAQ. In 2021, Indian company in

97%	MATCHING BLOCK 290/335	W

renewable energy ReNew Power opted for the special purpose acquisition company (SPAC) route to list on Nasdaq

Some of the Indian companies which had listed their ADR,s and GDR,s are Dr Reddy Labs, Genpact, HDFC Bank, ICICI Bank, Infosys, Tata Motors, Wipro, Apollo Hospitals, Aditya Birla Nuvo, Bajaj auto, Bajaj Finserve etc. When Indian companies were listed abroad, it provided alternate source of capital, better valuation an opportunity for their global growth ambitions, access to deep markets . Block 4: International Financial Management 66 Sources: i) https://timesofindia.indiatimes.com/

80%	MATCHING BLOCK 291/335	W

business/india-business/cos-listing-directly- overseas-may-get-capital-gains-tax-sop/

articleshow/88822949.cms dated 11th January2022 ii) https://www.londonstockexchange.com/discover/news-and-insights/indian-overseas-listing- policy dated 19th August 2021. Date of access- 16 th August 2022 Activity 13.2 Analyze the growth prospects of an Indian MNC that has revived its market share in the global market by increasing the wealth of the investors in the aftermath of the global financial crisis in 2008. Answer: 13.8 Guidelines for FPI Investments in India The economic policies of the NDA government which came to power in May 2014 had been quite investor friendly. This is reflected in the sharp rise of Ease of Doing Business rankings calculated by the World Bank. Amongst 190 countries that are tracked, India's position jumped from 134 in 2014 to 63 by 2022. India in 2022 was ranked as the 5th largest economy of the world surpassing UK. FPI investments are seen as a driver for Indian economic growth. FPI inflows into India for the past five years in shown in table below. Financial Year INR crores Equity Dept Dept-VRR Hybrid Total 2017-2018 25634.19 119035.74 0.00 10.29 144680.22 2018-2019 -87.73 -42355.97 0.00 3514.24 -38929.46 2019-2020 6152.26 -48710.23 7331.17 7697.63 -27529.17 2020-2021 274031.96 -50443.62 33264.56 10247.09 267099.99 2021-2022 -140009.60 1628.53 12642.83 3498.41 -122239.83 Source: https://www.cdslindia.com/Publications/FIIFPIInvstmntFinYrData.aspx Example: India - The most Favoured Destinations for Foreign Portfolio Investments (FPI) India recorded ₹ 2.74 lakh crore, the highest FPI investments in 2021 and mostly in equity. This was 25 % of the total FPI investments over the past three decades an indication of FPI investors in the vibrant Indian stock markets as per the analysts who also attributed this to three factors namely, simplification Unit 13: International Equity Investments 67 of FPI norms, V shape economic recovery from pandemic and multiple tranches of stimulus package. Source: https://timesofindia.indiatimes.com/

91%	MATCHING BLOCK 292/335	W

business/india-business/india-records-highest-ever- fpi-equity-inflow-in-fy21/

articleshow/86062877.cms dated 9th September 2021 Date of access- 16 th August 22 Check Your Progress - 2 6. Which of the following term depicts the process of dividing the markets to overcome barriers out of abnormal losses while making investments abroad? a. Market diversification b. Market segmentation c. Market innovation d. Market stabilization e. Market regulation 7. Which of the following financial asset represents indirect ownership of a specified number of shares of a foreign company? a. Global depository receipts b. Euro notes c. Fixed rate bonds d. Floating rate bonds e. Rolling rate FRN's 8. Which of the following investors are categorized below the head Foreign Portfolio Investors? a. Only foreign institutional investors b. Only qualified foreign investors c. Both foreign institutional and qualified foreign investors d. Only foreign direct investments e. Only foreign direct and institutional investors 9. What could be considered when securities held by foreign portfolio investors and also and income arising out of it? a. Financial asset, business income b. Capital asset, capital gain c. Business asset, capital gain d. Business asset, business income e. Capital asset, business income 10. What is the taxable percentage on short-term and long-term gains arising out of transfer of securities charged to Qualified Foreign Investors (QFIs), as per the Income Tax Act 1961?
Block 4: International Financial Management 68 a. 30% and 10% b. 40% and 20% c. 30% and 20% d. 40 % and 10% e. 40% and 30% 13.9 Summary ? An integrated financial system results in a more efficient allocation of capital across the globe and provides diversification benefits to the investors. Investment in foreign securities offers the same diversification benefits, as investment in a diversified domestic portfolio. ? Capital Asset Pricing Model (CAPM) propounds that diversifying investments over a number of securities can help an investor in reducing his risk level for a given level of return or increasing his return for a given level of risk, provided that the returns on the securities are having a negative correlation or low positive correlation. ? The returns on a foreign security is denominated in the foreign currency. The rate at which the realizations from the security gets converted into the domestic currency is most likely to be different from the rate at which currency conversion took place at the time of investment. ? Investments in foreign securities carry risks when compared to domestic investments. These include 'country risk' and 'currency risk'. ? 'Country risk' is the uncertainty as to whether the investor would be able to convert the realization proceeds into the domestic currency whereas 'currency risk' is the uncertainty as to the rate at which the realization proceeds would be converted into the domestic currency. ? International CAPM proposes that the market portfolio consists of all the securities available in any of the countries, and it is the beta of a security that measures the sensitivity of the security returns to a change in the returns on an extended market portfolio. ? International CAPM model holds good if a purely domestic portfolio involves in foregoing some returns or takes on additional risk than that which is warranted by the returns. The model considers that a purely domestic portfolio would be below the efficiency frontier. ? Another important factor that contributes to international equity investments is segmentation of markets that results in the possibility of abnormal gains for those investors who can overcome barriers and invest abroad. ? Companies get their shares listed not only on the domestic bourses, but also on stock exchanges in foreign countries done either through a direct listing or through the GDR (Global Depository Receipts) route. In this case, the
Unit 13: International Equity Investments 69 investor does not face currency risk (at least on capital gains) as the instrument is denominated

in the currency of the country where it is issued
and is listed and traded on a domestic stock exchange. ? The SEBI liberalized FPI (Foreign Portfolio Investors) Regulations, in 2014.These regulations are not applicable to investors investing in GDRs, FCCBs and FCBs issued by Indian companies and listed, traded and settled overseas. 13.10 Glossary Country Risk is the risk perceived by a non-resident while dealing with a country in a commercial and/or investment transaction, which arises out of political and economic factors. Currency Risk is the risk perceived by a non-resident due to uncertainty as to what rate the realization proceeds would be converted into domestic currency. Equity Capital is the risk capital staked by the owners through purchase of a company's common stock (ordinary shares). Forward is a contract

75%	MATCHING BLOCK 295/335	W

to buy or sell an asset at a certain date at a certain price.

Futures is a financial instrument that obligates the holder to buy or sell an asset at a set price on a specified date in the future.

100%	MATCHING BLOCK 296/335	W

Global Depository Receipt (GDR) is a bank certificate issued in more than one country for shares in a foreign company.

International CAPM refers to the investments in international settings to incorporate foreign exchange risks assuming that the investors in each country share the same consumption basket and purchasing power parity. Option is the right to buy or sell an asset at an agreed price. World Beta of Security is the international beta measure of systematic risk or volatility of a portfolio or equity investments in relation to a global market. World Risk-Free Rate of Return is the expected global rate of return attributed to an investment with risk. 13.11 Self-Assessment Test 1. Narrate the benefits of 'Foreign Institutional Investors' (FIIs) with respect to equity investments in a global arena. 2. What are the risks involved in relation to international investments? State the determinants to international risks in equity investments. 3. How does the traditional CAPM model differ from International CAPM model? –Explain.
Block 4: International Financial Management 70 4. Discuss the loopholes on non-integration of international markets. 5. Explain the necessity of listing in international stock exchanges. 6. Describe in detail the registration formalities imposed by SEBI to make investments in India by 'foreign portfolio investors'. 7. "Foreign residents are allowed to make portfolio investments in India as regulated by SEBI"- Elucidate. 13.12 Suggested Readings/Reference Materials 1. Francis Cherunilam, International Business - Text and Cases, 6 th Edition, PHI Learning. 2. P G Apte (2020), International Financial Management, McGraw Hill Education (India) Private Limited. 3. Madhu Vij (2021). International Financial Management – Text and Cases. 4 th edition. Taxmann. 4. Charles W. L. Hill, G. Tomas M. Hult (2021). International Business. 12 th edition. McGraw Hill Education (India) Private Limited. 5. Choel S. Eun & Bruce G. Resnick (2022). International Financial Management. 8 th edition. McGraw Hill Education (India) Private Limited. 6. K. Aswathappa (2020). International Business. 7 th edition. McGraw Hill Education (India) Private Limited. 13.13 Answers to Check Your Progress Questions 1. (b) Negatively Correlated According to the CAPM, diversifying investments over a number of securities can help an investor in reducing his/her risk level for a given level of return or increasing his/her return for a given level of risk, provided that the returns on the securities are having a negative correlation or low positive correlation. 2. (a) r f + S The returns from a foreign security in terms of the domestic currency has two components – the return from the security in foreign currency terms, and the returns due to changes in the exchange rate over the period of investment. Hence, the expected domestic returns on foreign currency = r f + S . 3. (d) Var(r f) + Var(S) + 2 Cov(r f , S) The risk on foreign investment consists of three elements – the variability of the returns on the foreign security, the variability of the
Unit 13: International Equity Investments 71 exchange rate, and the co-variance between the exchange rate and the returns on the foreign security. = Var(r f) + Var(S) + 2 Cov(r f , S). 4. (c) Investors are compensated only for the unsystematic risk as the systematic risk can be diversified away The CAPM states that the investors in a security are compensated only for the systematic risk of the security, and the unsystematic risk can be diversified. The systematic risk of the security
is measured by the sensitivity of the security returns to a change in the market returns, given by the beta of the security.
According to this theory, the market portfolio consists of all the securities available in any of the countries, and the beta of a security measures the sensitivity of the security returns to a change in the returns on this extended market portfolio. 5. (b) Cov(r i ,r w) Var (r w) w β = World beta of the security = i w w Cov(r ,r) Var(r) 6. (b) Market segmentation It is the process of dividing the markets to overcome barriers out of abnormal losses while making investments abroad. It will lead to abnormal gains when investors overcome barriers relating to regulations restricting foreign investments, non-convertibility of currencies, home- country bias and any indirect barriers to make investments abroad. 7. (a) Global Depository Receipts A GDR (Global Depository Receipt) is a financial asset representing indirect ownership of a specified number of shares of a foreign company. The shares are held in the custody of a custodian based in the country of the issuing company. 8. (c) Both foreign institutional and qualified foreign investors A 'Foreign Portfolio Investor' (FPI) has been defined to mean a person who satisfies the prescribed eligibility criteria and has been registered under the FPI Regulations. All existing 'Foreign Institutional Investors' (FIIs) and QFIs are to be merged into one category called FPI. 9. (b) Capital asset, capital gain The Indian budget for the year 2014-15, classified income arising to FPIs from securities' transactions as capital gains. As such, any
Block 4: International Financial Management 72 securities held by an FPI would be regarded as a "capital asset" as defined in section 2(14) of the Tax Act so as to treat any income arising from transfer of such security as a "capital gain". 10. (b) 40% and 20% 'Qualified Foreign Investors' are taxed at the rates of 40% and 20% on short-term capital gains and long-term capital gains, respectively arising from transfer of securities.

Unit 14 Short-term Financial Management Structure 14.1 Introduction 14.2 Objectives 14.3 Cash Management in Multi-National Corporations 14.4 Centralized Cash Management System 14.5 Practical Issues in Cash Management 14.6
Summary 14.7 Glossary 14.8 Self-Assessment Test 14.9 Suggested Readings/Reference Materials 14.10 Answers to Check Your Progress Questions "
Never take your eyes off the cash flow because it's the life blood of business." - Richard Branson, British billionaire, entrepreneur, and business magnate 14.1 Introduction No cash flow, no business. In the previous unit International Equity Investments we discussed about how international markets provided diversification benefits to the investors through various equity instruments. It was also discussed on how these instruments are exposed to country risk and currency risk. The CAPM concept is applied to international equity instruments. Equity is long term source of finance for the corporates. Now let us move to how MNCs manage their short-term finances A Multi-National Corporation (MNC) can be defined as an entity which has branches or subsidiaries spread over many countries. Since MNCs have operations in different countries, the financial transactions will also be denominated in multiple currencies. Thus, financial management of short-term assets and liabilities in a Multi-National Corporation (MNC) is important and complex in nature. It involves management of current assets and current liabilities denominated in different currencies. This unit deals exclusively with cash management in MNCs. With the existence of branches/subsidiaries in different countries, MNCs have the scope and the need to mobilize and deploy cash in multiple currencies. Hence, cash management in MNCs became significant.
Block 4:
International Financial Management 74 14.2
Objectives After studying this unit, you should be able to: ?
Discuss the
strategies required by Multi-National Corporations (MNCs) to achieve the objective of cash management ? Evaluate the risks involved in computing the Euro currency yields ? Discuss the advantages resorting to centralized cash management system in MNCs ? Identify the problems that arise due to implementation of centralized cash management system ? Discuss various issues encountered by the treasurer in cash management 14.3 Cash Management in Multi-National Corporations (MNCs) MNCs, by virtue of their presence in different countries, have access to much wider international money markets. Hence, there is a need for the finance manager to develop a strategy to meet the actual requirements of the MNC which proposes either to mobilize the funds or to deploy the surplus cash in investments. The objective of cash management is (i) to maximize the returns by proper allocation of short-term investments and (ii) to minimize the cost of borrowing by borrowing in different money markets. To achieve the above objective, the MNCs must evolve a strategy by taking the following aspects into consideration: i. The borrowing cost in a particular currency and the relationship between nominal interest rate between the currencies and anticipated exchange rates of the currencies (International Fisher effect). ii. The exchange risk of the MNC consequent to the firm's exposure in different currencies regarding the receivables and payables. iii. The level of risk acceptable to the management of the MNC. iv. The availability of tools for hedging. v. Tax structure prevailing in various countries. vi. Political environment and the consequent risk relating to various countries. MNCs have access to various international financial instruments like CPs, Banker's acceptances, CDs, bank loans etc., for their short-term borrowing or investment. In the earlier unit, we have seen that in the Euro currencies the yields are equal on a covered basis. Fisher's equation provides a relationship between the nominal interest rate (i), the real interest rate (r) and expected rate of inflation. Fisher's open equation is given by i A – i B = e ˆ S (A/B)
Unit 14: Short-term Financial Management 75 Where, ˆ S(A/B)= expected appreciation of currency B against currency A. If interest rate parity holds good, then it should not really matter in which currency funds are borrowed or invested. However, there still exist situations where cost of borrowing and/or yield on investments differ in different markets. If the forward rates are unbiased estimates of future spot rates, a speculator will not make any gains by entering into forward contracts. If we assume that the speculators are risk averse, we have to consider Risk Premium (RP) also. The above equation can then be written as i A – i B = e ˆ S (A/B)+ RP. Interest parity implies that

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F(A/B) = S e (A/B) + RP. Where, F(A/B) is the 'forward rate' and S e (A/B) is expected 'future spot rate'.

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F(A/B) = S e (A/B) + RP. Where, F(A/B) is the 'forward rate' and S e (A/B) is expected 'future spot rate'.

This being the situation in the market, the MNC will compare the effective cost of borrowing on covered basis for different currencies. The perception of the firm regarding 'forward rate' and 'future spot rate' will influence the decisions. A firm which is not risk averse may opt for uncovered investments since its approach is to profit from forecasting of future spot rates. Example: New Cash Management Platform Launched MNCs, by virtue of their presence in different countries, had access to much wider international money markets. MNCs take the support of technology to handle such cash related issues

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Infosys' digital core banking which offered Finacle and Santander; UK had announced international cash management platform for the ongoing digital transformation program. Infosys had offered Finacle Cash Management Suite comprised of Finacle Payments and Finacle Liquidity Management solutions, Finacle Digital Engagement Hub and Finacle Online Banking. This software would power

Santander Global Connect a cash management platform designed to support the international growth plans for Santander's corporate and commercial customers. The new cash management platform could provide customers with access to view liquidity, held globally and provide digital capabilities to manage, control, and mitigate cash and business risk in a single portal. Further the platform will

comfortable manage the international transaction and cash management needs. In the complex business scenario coupled

with the increased volatility and complexity of the global business environment,

the finance manager and corporate treasurers should monitor and manage the liquidity positions in real- time and could look at technology platform to handle cash management issues.
Block 4: International Financial Management 76 Source- https://www.techcircle.in/2021/07/22/infosys-finacle-santander-uk-launch-new-cash- management-platform dated 22nd July 2021. Date of access- 19 th August 2022 Activity 14.1 Why is there a need for an MNC to streamline its cash management operations? As an analyst, how would you formulate the strategies for an MNC that outsources the treasury functions of a client to keep track of client's cash management operations? Answer: Check Your Progress - 1 1. What is the name given to an entity which has branches or subsidiaries spread over many countries? a. Regional corporation b. National corporation c. International corporation d. Multinational corporation e. Transnational corporation 2. Which of the following financial transactions in a multi-national corporation is quite complex and significant in nature? a. Short-term assets and liabilities b. Long-term assets and liabilities c. Equities and long-term loans d. Foreign exchange transactions e. Contingent assets and liabilities 3. Which of the following is true in relation to objective of cash management in a multi-national corporation? a. To minimize the return by proper allocation of short-term investments b. To maximize the borrowing cost by raising funds in different markets c. To mobilize non-cash resources d. To deploy surplus cash resources in advancing liabilities
Unit 14: Short-term Financial Management 77 e. To bring an equilibrium by increasing returns on short-term investments and decrease the borrowing cost by sourcing funds in varied markets 4. Fisher's equation provides a relationship between the nominal interest rates, real interest rates and expected rates of inflation. Which of the following is depicted by e ˆ S (A/B)in Fisher's open equation? a. Anticipated appreciation of currency A against currency B b. Unanticipated depreciation of currency B against currency A c. Anticipated appreciation of currency B against currency A d. Unanticipated depreciation of currency A against currency B e. Anticipated equilibrium of currency A and currency B 5. While speculators in forex transactions are risk averse, risk premium is considered where the Fisher's open equation is rewritten as F (A/B) = S e (A/B) + RP. Which of the following is represented by F (A/B) in Fisher's open equation? a. Forward rate b. Future spot rate c. Future rate d. Call rate e. Strike rate 14.4 Centralized Cash Management System Multi-national Corporations (MNCs) will have subsidiaries/divisions in various countries. Each of the division or subsidiary will have receivables, payables and cash positions, in the same currencies or in different currencies. The composition of receivables and payables and cash can be in any combination. One division may have a huge dollar payable and hedged with a long position while another division which has huge receivables in the US dollar might have hedged with a short position with the same maturity. Similarly, one division may be having a cash deficit and borrowing at a high cost while another division in another country may be having a surplus cash position. These situations warrant proper cash management systems. To overcome these situations, MNCs resort to centralized cash management system. The following showcases the reorganized structure of cash management process in Cognizant India business operations, by implementing JP Morgan's virtual banking service in the country to help boost its treasury function. 14.4.1 Advantages The following are the advantages of the centralized cash management system:

Block 4: International Financial Management 78 i. Netting: In large MNC's, intra-corporate transactions among subsidiaries with the parent corporate or various subsidiaries of the parent company, are a common feature. As a consequence, there will be receivables and payables among the group subsidiaries resulting in cash inflows and outflows in different currencies. At times, the inflows and outflows between two subsidiaries may have matching maturities or may have maturity mismatches. If the receivables and payables are of different currencies, the transaction costs can be higher. In a centralized Cash Management System (CMS), all cash transactions of group companies are settled through a single point. In such situations, netting is possible where the receivables are netted out against payables and net cash flows are settled among the group subsidiaries. When we are considering the transactions between the subsidiaries, leading and lagging of receivables/payables is possible to enable matching of maturities. Netting with other corporate entities is also possible. ii. Pooling of cash: Each of the subsidiaries will maintain a certain amount of liquid position. Some of the subsidiaries may have surplus cash while others may have a deficit. In a centralized CMS, the center may pool up the cash from surplus subsidiaries for transfer to the deficit units. This will eliminate the borrowing cost for deficit units. Hence, the cash pooling center will reduce the burden of cash management at the subsidiary level. iii Management of currency exposure: Another advantage of centralized CMS is exchange risk management. In a centralized CMS, the parent can evolve a corporate strategy for exchange risk management by considering the overall position of receivables and payables in different currencies of the various subsidiaries. This corporate strategy will reduce the transaction cost of the hedging which otherwise would be incurred by each subsidiary separately. 14.4.2 Problems Involved in Centralized Cash Management System Cash requirement in domestic currency for a subsidiary is quite unpredictable. A centralized cash pooling system sometimes may cause hardships to the subsidiary if unforeseen expenditure is to be met by the subsidiary. The parent should evolve a centralized cash pooling system which enables the subsidiary to meet immediate cash requirements. Even the transfer of funds involves cost. Hence, centralized CMS should ensure that fund transfer events are not too many by the cash pooling center and the system is cost effective in nature. Even in these days of Electronic Fund Transfer Systems (EFTS), delays in fund transfers and making cash available to the subsidiary are possible.

Unit 14: Short-term Financial Management 79 Tax structure in the countries where the subsidiaries are located will be another important factor in centralized CMS. CMS should ensure that the transfer of funds from one subsidiary to another subsidiary should be cost effective even if the total borrowing cost inclusive of withholding tax at cash surplus center is considered. Exchange control regulations of the country where the subsidiary is located will have a serious impact on cash inflows and outflows from subsidiaries to other group corporates or to the parent company. A decentralized CMS can benefit from the proximity of various subsidiaries to major financial centres in the world. A centralized CMS is generally located at the same place as the parent company, which may not be near to any major financial centre. This may act as a drawback. Example: Innovation in Centralized Cash Management Most of the financial institutions (FIs) had innovated

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new digital solutions to reduce their enterprise clients' key B2B payments having offered their clients a single view of cash for real-time cash flow management. Over 55 % of FIs worked to find solutions and another 24% planned to work on as per a report by "The Innovation Gap"; a PYMTNS and FIS

research organization. FIs maintained the flexibility needed to customize the range of centralized payment processes which were offered to clients as their businesses grew. The report adds that financial institutions should focus specific innovation areas to better address B2B clients. Source: https://www.pymnts.com/news/b2b-payments/2022/55-percent-financial-institutions-are- working-centralized-view-cash-flow-liquidity-corporate-clients/ dated 13 th May 2022 Dare of access- 19 th August 2022 14.5 Practical Issues in Cash Management Notwithstanding the fact whether a corporate has chosen centralized or decentralized cash management, there are certain situations encountered by a treasurer which involve decision-making after undertaking a cost benefit analysis. The most important issue is that the treasurer should consider all the possible alternatives and then choose the optimal alternative. 14.5.1 Transaction Costs The prevailing interest rates either on borrowing or on investing will determine financing/investing decisions to a great extent. However, transaction costs also play a significant role in these decisions since they can make all the difference. Let us understand this through an example. An MNC is holding surplus dollar funds. It proposes to invest in pound sterling for six months. The rates of interest for dollar and pound securities are 6% and 9% respectively. Spot $/£ = 1.2469/79

Block 4: International Financial Management 80 6 months forward = 1.2269/99 Option 1: Investment in dollars for six months Amount available at the time of maturity = 1.02 Option 2: Investment in pounds for six months Dollar funds will be converted to Pounds. We take spot ask rate 1/1.2479 to buy pounds which will be invested for six months at 9% and a forward contract is taken to sell pound at £1.2269. i.e. 1.2269 1.2479 x 1.045 = 1.02741 We can see that the transaction costs will have a significant impact on the investment pattern. If the additional return of 0.00741 available by investing in pound is offset by the additional transactions, then investment in US dollars can be a better option. One needs to be careful since some costs may not be conspicuous. Apart from the transaction costs, selection of the currency of investment/ borrowing will also depend upon the availability of instruments with the required maturity and the degree of liquidity that the instrument enjoys. Check Your Progress - 2 6. Which of the following system is encouraged for proper utilization and efficiency of cash resources in order to overcome the problems between surplus and deficit status of cash in varied divisions of the MNCs? a. Decentralization cash management b. Centralized cash management c. Delegated cash management d. Regulated cash management e. Re-engineered cash management 7. In MNCs' intra-corporate transactions, when there arises a mismatch between the receivables and payables of different currencies, which cost would tend to be higher? a. Opportunity b. Sunk c. Transaction d. Absorption e. Different 8. Which of the following is suggested to reduce the burden of cash management system in subsidiaries in an efficient cash management system? a. Cash pooling

Unit 14: Short-term Financial Management 81 b. Exposure to currency c. Netting d. Forward currency hedge e. Currency invoicing 9. Which of the following set of regulations in subsidiary location country can have an impact on the cash inflows and outflows of other group corporates or to the parent company? a. Cash pooling b. Exchange control c. Tax structure d. Electronic fund transfer e. Decentralized cash 10. Which of the following is not the function of a treasurer for proper cash management of MNCs' financial transactions? a. To wisely choose the appropriate currency b. To increase return and reduce the costs involved in managing the inflows and outflows c. To generate regular forecast of forex rates d. To have a regular internal audit check to manage cash inflows and outflows e. To be constantly in touch with the market that involves rationale decision making The MNCs will be encountering typical situations in practice. Let us examine a few. i. On certain occasions, the MNC may have surplus funds but not enough to invest in the market lot of the selected instruments. What should be the investment decision? Illustration 14.1 An MNC has a surplus of USD 170,000 for 90 days. Minimum size of CD is USD 100,000 @10%. Bank offers 5% on 90-day deposit. What should be the investment decision if interest on overdraft is 12%? Solution The break-even size of investment can be obtained from E = M [(k – i)/ (k – d)] Where, E = Surplus funds at break-even level

Block 4: International Financial Management 82 M = Minimum lot of investment k = Interest rate on borrowed funds i = Rate of interest for investment d = Rate of interest for deposit. E = USD 1,00000[0.12 – 0.10)/ (0.12 – 0.05)] = USD 100,000 [(0.02)/(0.07)] = USD 28,571 The surplus funds are USD 170,000, well above the break-even level. Hence, the firm can go for borrowing of USD 30,000 to make investment in 2 CDs i.e. USD 200,000 at 12% for 10 days. Let us see the incremental gain made by the treasurer in the transaction. With deposit interest rate at 5%, if amount is invested in bank deposit for 90 days, MNC will get interest of USD 2,095.90. If MNC borrows USD 30,000, interest payable at 12% for 90 days is USD 887.70. If $ 200,000 is invested in CDs at 10% for 90 days, the interest earned is USD 4,931.50. Net income = USD 4,931.50 – 887.70 = USD 4,043.80 Otherwise by investing in a bank deposit, MNC gets only USD 2,095.80. Hence, the additional gain is USD 1,947.90. Illustration 14.2 An MNC has surplus funds of USD 100,000 which is to be deployed for 20 days. However, the minimum tenure of a bank deposit is one month, and the interest offered by the bank is 6%. The firm has an opportunity to borrow at 12%. What should the treasurer do? Solution The firm may have to keep the funds idle in view of the minimum tenure of 1 month for the deposit, in which case it does not earn any income. Alternatively, if the firm borrows USD 100,000 for 10 days, then the net return will be as under. Interest earned on deposit = 100,000 x 0.06 x 1 12 = USD 500 Interest paid on borrowing = 100,000 x 0.12 x 10 365 = USD 328.75 Net return = USD 500 – USD 328.75 = USD 171.25

Unit 14: Short-term Financial Management 83 It may sometimes be less costly for a firm to borrow for a longer maturity than the duration for which it requires the funds. Let us see an example. Illustration 14.3 An MNC requires USD 70,000 for a period of one month. The borrowing rates for one-month and two-month maturities are 8.25% and 8.5% respectively. What is the borrowing rate for the MNC? Solution The MNC has two options: Option I To borrow at 8.25% for a period of one month. Cost of borrowing = USD 70,000 x 0.0825 x 1 12 = USD 481.25 Option II Borrow for two months at 8.5%, use the funds for one month and invest the funds at the end of one month for a maturity of one month. Interest payable = USD 70,000 x 0.085 x 2 12 = USD 991.67 Let us now find the one-month investment rate that should prevail after one month to make the cost of borrowing under the two options equal. Let this investment rate be denoted by r 11. USD 70,000 x r 11 x 1 12 = 991.67 – 481.25 r 11 = 0.0875 = 8.75% If the firm feels that the interest rates are going to rise and the one-month investment rate prevailing at the end of one month will be greater than 8.75%, then it may go for the second option and thereby reduce its cost of borrowings. Activity 14.2 Adarika International Associate requires EUR 50,000 for a period of two months. The given borrowing rate is 9.25% and 9.50% respectively having a maturity period of two months. Compute the borrowing rate for the Adarika International Associate that requires funds to meet T&E (Travel and Entertainment) expenses of the company employees. Answer:

Block 4: International Financial Management 84 14.6 Summary ? A multi-national corporation is an entity which has branches or subsidiaries spread over many countries. ? Multi-national corporations, by virtue of their presence in different countries, have access to much wider international money markets. ? The objective of cash management in multi-national corporations is (i) to maximize the return by proper allocation of short-term investments and (ii) to minimize the cost of borrowing, by borrowing in different money markets. ? MNCs having divisions or subsidiaries in different countries will have cash positions, receivables and payables in the same currencies or different currencies for each of its division or subsidiary. ? Interest rates and exchange rates are important inputs in the decisions regarding management of short-term funds in multi-national corporations. ? If interest rate parity holds good, the decision regarding the choice of currency in which the funds are borrowed or invested becomes redundant. ? It is wise to choose the appropriate currency, in order to increase the returns or reduce the costs. ? Treasurer is a person who should be able to generate forecasts regularly and needs to be constantly in touch with the markets to choose the appropriate currency. ? Transaction cost also plays a significant role in determining the financing or investing decisions. 14.7 Glossary Cash Exports are those exports where the proceeds are realized within six months from the date of shipment or on the due date for payment whichever is earlier. Cross Rate is the exchange rate between two currencies calculated by using their exchange rates with a third currency. Forward Rate is the rate quoted today for buying / selling a foreign currency at a future date. Interest Rate Parity is the condition under which

the premium on a foreign currency is equal to the interest

rate differential between the two countries. International Chamber of Commerce (ICC) is an establishment in Paris, built in 1919. This is a non-governmental organization serving world business.

Unit 14: Short-term Financial Management 85 International Fisher Effect refers to the borrowing cost in a currency and the relationship that exists between nominal interest rate of the currencies and anticipated exchange rates of the currencies. Nominal Rate of Interest refers to the borrowing cost expressed in terms of percentage of the loan amount. Real Exchange Rate refers to the nominal exchange rate between two currencies adjusted for the price movements in the two countries over a period. Society for Worldwide Interbank Financial Telecommunications (SWIFT) is a worldwide computer network that supports international funds transfers between banks. Spot Rate is the rate quoted today for a currency to be delivered after two working days. Tax Structure is the designed nature of a country's tax base, tax rates and the subsequent variation in tax rates. 14.8 Self-Assessment Test 1. State the international purview of cash management strategies required by multi-national companies to achieve the centralized objective of cash management. 2. Briefly explain the International Fisher's equation with example. 3. Discuss the advantages resorting to centralized cash management system in MNCs. 4. Explain the problems that arise due to implementation of centralized cash management system. 5. Elucidate the practical implications encountered by the treasurer in cash management that illuminates decision-making. 6. "Financial Management of short-term assets and liabilities in an MNC is much more important and complex in nature"- Elucidate. 14.9 Suggested Readings/Reference Materials 1. Francis Cherunilam, International Business - Text and Cases, 6 th Edition, PHI Learning. 2. P G Apte (2020), International Financial Management, McGraw Hill Education (India) Private Limited. 3. Madhu Vij (2021). International Financial Management – Text and Cases. 4 th edition. Taxmann. 4. Charles W. L. Hill, G. Tomas M. Hult (2021). International Business. 12 th edition. McGraw Hill Education (India) Private Limited.
Block 4: International Financial Management 86 5. Choel S. Eun & Bruce G. Resnick (2022). International Financial Management. 8 th edition. McGraw Hill Education (India) Private Limited. 6. K. Aswathappa (2020). International Business. 7 th edition. McGraw Hill Education (India) Private Limited. 14.10 Answers to Check Your Progress Questions 1. (d) Multi-National Corporation (MNC) An MNC can be defined as an entity which has branches or subsidiaries spread over many countries. 2. (a) Short-term assets and liabilities Since MNCs have operations in different countries, the financial transactions will also be denominated in multiple currencies. Hence, financial management of short-term assets and liabilities in an MNC is much more important and complex in nature. 3. (e) To bring an equilibrium by increasing returns on short-term investments and decrease the borrowing cost by sourcing funds in varied markets The objective of cash management in MNCs is (i) to maximize the return by proper allocation of short-term investments and (ii) to minimize the cost of borrowing by borrowing in different money markets. 4. (c) Anticipated appreciation of currency B against currency A Fisher's equation provides a relationship between the nominal interest rate (i), the real interest rate (r) and expected rate of inflation. Fisher's open equation is given by i

71%	MATCHING BLOCK 301/335	W

A – i B = e ˆ S (A/B) Where, ˆ S(A/B)= expected appreciation of currency

71%	MATCHING BLOCK 302/335	W

A – i B = e ˆ S (A/B) Where, ˆ S(A/B)= expected appreciation of currency

B against currency A. 5. (a) Forward rate If interest rate parity holds good, then it should not really matter in which currency funds are borrowed or invested. If we assume that the speculators are risk averse, we must consider Risk Premium (RP) and interest parity implies that

69%	MATCHING BLOCK 304/335	W

F(A/B) = S e (A/B) + RP. Where, F(A/B) is the 'forward rate' and S e (A/B) is expected 'future spot rate'. 6. (

69%	MATCHING BLOCK 305/335	W

F(A/B) = S e (A/B) + RP. Where, F(A/B) is the 'forward rate' and S e (A/B) is expected 'future spot rate'. 6. (

b) Centralized Cash Management

Unit 14: Short-term Financial Management 87 In an MNC, one division of parent company may be having a surplus cash position while another division in another country may be having a cash deficit and borrowing at a high cost. These types of situations warrant proper cash management systems. To overcome these types of problems for cash management, MNCs resort to centralized cash management system. 7. (c) Transaction In large MNC's, intra-corporate transactions among various subsidiaries of the parent company or subsidiaries with parent corporate are a common feature. If the receivables and payables are of different currencies, the transaction costs can be higher. 8. (a) Cash Pooling In a centralized cash management system, the center may pool up the cash from surplus subsidiaries for transfer to the deficit units. This will eliminate borrowing costs to the deficit units. The existence of a cash pooling center will reduce the burden of cash management at the subsidiary level. 9. (b) Exchange Control Exchange control regulations of the country where the subsidiary is located will have a serious impact on cash inflows and outflows from subsidiaries to other group corporates or to the parent company. 10. (d) To have a regular internal audit check to manage cash inflows and outflows Other functions being true, the company's treasurer is not entitled to conduct regular internal audit checks to manage cash inflows and outflows while handling the financial transactions of multinational corporations.

Unit 15 International Accounting and Taxation Structure 15.1 Introduction 15.2 Objectives 15.3 International Accounting 15.4 International Taxation 15.5

Summary 15.6 Glossary 15.7 Self-Assessment Test 15.8 Suggested Readings/Reference Materials 15.9 Answers to Check Your Progress Questions "

Capital isn't this pile of money sitting somewhere; it's an accounting construct" - Bethany McLean 15.1 Introduction Every type of capital investment ultimately bogs down to accounting numbers. In the previous unit, we discussed how short-term financial management is being done in international organizations. In this unit, we deal with accounting aspects in the international trade. 'Accounting' is the 'language' of business. Accounting may be defined as identifying, measuring, recording and communicating of financial information. In this unit, we will discuss some important aspects of international accounting and the issues involved in taxation in international transactions. Broadly, international accounting encompasses the functional areas of financial accounting, managerial accounting, auditing, taxation, and accounting information systems. International accounting includes principles of accounting, reporting practices and their classification, patterns of accounting development, international and regional harmonization. It also includes foreign currency translation, foreign exchange risk, international comparisons of consolidation accounting and inflation accounting etc. International taxation deals with tax policies of different countries and their implications.

Unit 15: International Accounting and Taxation 89 15.2 Objectives After studying this unit, you should be able to: ? Recall basics of international

accounting standards ? State the nature and characteristics of foreign currency transactions ? Explain the various methods used for translation of financial statements of a foreign entity ? Illustrate on how to ascertain the financial statements with effect to foreign exchange transactions ? Explain the statutes on international taxation ? State the pitfalls of double taxation with example 15.3 International Accounting In today's globalized scenario, the presence of Multinational Corporations (MNCs) has become a well-accepted phenomenon. Having subsidiaries abroad makes financial reporting more complex for MNCs than for other companies. This stems from the fact that MNCs need to consolidate their subsidiaries' accounts for the purpose of financial reporting. (In India, however, such consolidation is not mandatory). Even if a company has branches in other countries (and not full-fledged subsidiaries), such consolidation of accounts is required. (This is required according to Indian regulations also). Even purely domestic companies may have some foreign currency denominated assets or liabilities or may have some transactions like exports and imports denominated in foreign currencies. All these companies have one factor in common – they need to translate foreign currency denominated assets, liabilities, earnings or expenses in terms of their reporting currency, which is most often their domestic currency. This requirement makes it essential for these companies to decide upon a policy as to application of the different exchange rates. So that they can be applied to convert the various categories of foreign currency denominated assets, liabilities, incomes and expenses into the domestic currency. Also for the treatment of any exchange gains or losses that arise out of such conversions. The formation of a policy becomes essential to make financial statements transparent. The absence of a consistent policy can lead to companies shifting profits or losses from one accounting year to another, or to window-dress the accounts. The translation also has tax implications. A foreign transaction involves exporting, importing, borrowing, lending, investing and forward contracts between two parties across the national frontiers. In India, two sets of accounting standards exist: (A) Existing accounting standards under Companies (Accounting Standard) Rules, 2006 or Companies (Indian Accounting Standard) Rules, 2015and (B) International Financial Reporting Standards (IFRS) converged Indian Accounting Standards (Ind AS).

Block 4: International Financial Management 90 Adoption of IFRS Standards: The relevant authority in all but eight of the 166 jurisdictions (Belize, Bermuda, Cayman Islands, Egypt, Macao, Suriname, Switzerland and Vietnam) has made a public commitment to IFRS Standards as the single set of global accounting standards. 144 jurisdictions (87 per cent of the profiles) require IFRS Standards for all or most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets. All but one of those have already begun using IFRS Standards. Bhutan will begin using IFRS Standards in 2021. Some comments on the remaining 22 jurisdictions that have not adopted: ? 12 jurisdictions permit, rather than require, IFRS Standards: Bermuda, Cayman Islands, Guatemala, Honduras, Japan, Madagascar, Nicaragua, Panama, Paraguay, Suriname, Switzerland, Timor-Leste; ? One jurisdiction requires IFRS Standards for financial institutions but not listed companies: Uzbekistan; ? One jurisdiction is in process of adopting IFRS Standards in full: Thailand; ? One jurisdiction is in process of converting its national standards substantially (but not entirely) with IFRS Standards: Indonesia; and ? Seven jurisdictions use national or regional standards: Bolivia, China, Egypt, India, Macao SAR, United States, and Vietnam. Indian Accounting Standards Rules 2015 were notified by Ministry of Corporate Affairs in February 2015, and they are made effective from 1 st April 2015. These rules have subsequently undergone amendments with the latest being made in 2022 where in changes have been to Ind AS 101 and 103. The Ind AS are named and numbered in the same style as the corresponding IFRS. The foreign currency transactions of a firm can be divided into two broad categories: ? Transactions in a foreign currency, e.g. exports, imports, raising foreign currency loans, etc., those need to be stated in domestic currency terms. ? The presence of foreign operations whose financial statements need to be translated into the domestic currency. Foreign operations can again be of two types: ? Integral foreign operations: Foreign operations that are just an extension of the domestic operations are referred to as integral foreign operations. For example, a foreign branch that only buys goods from the head office and sells them, would be treated as an integral foreign operation.

Unit 15: International Accounting and Taxation 91 ? Independent foreign operations: An entity that operates independently by having its own expenses, incomes, assets and liabilities is referred to as an independent foreign operation. It is generally in the form of a subsidiary whose transactions with the parent company are generally few with respect to its total operations, and whose day-to-day activities are financed locally rather than by the parent company. Let us see the rules for reporting of these foreign currency activities one by one. 15.3.1 Reporting of Foreign Currency Transactions In India, reporting of foreign currency transactions is governed by Ind Accounting Standard 21 – The effect of changes in foreign exchange rated, prescribed by the ICAI. The text of this Indian Accounting Standard 21 is given in Annexure I. According to this Standard, a transaction in a foreign currency should be translated at the spot rate as on the date of the transaction. For the sake of convenience, transactions in a period may be reported at the average rate for the period. A foreign currency transaction may result in a receivable or a payable arising in a foreign currency. This receivable or payable may be settled at a date subsequent to the transaction date. The spot rate as on the date of settlement may be different from the rate applicable to the transaction, thus resulting in an exchange gain/loss. According to the Standard, this gain/loss should be recognized in the year in which the settlement takes place. Further, any receivables or payables which are not settled by the balance sheet date should be translated at the spot rate as on that date. This should be done on all subsequent balance sheet dates till the receivable/payable is settled. Exposure arising out of foreign currency transactions may be covered using forward contracts, or other hedging tools. The accounting treatment of such contracts is also specified by the Accounting Standard. It states that the difference between the contract rate and the spot rate as on the date of the transaction should be recognized as income or expenditure, spread over the life of the contract. Also, any profit/loss arising due to cancelation/extension of a forward contract should be accounted for as income or expenditure for the period in which it arises. Illustration 15.1 makes the application of these rules clear. Illustration 15.1 An Indian company sells goods worth USD 1,000,000 to a US firm on January 1. The payment is to be received after 6 months. The firm hedges itself by taking a 6-month forward. The Indian firm's accounting year ends on March 31. The exchange rates on various dates are: Spot rate on January 1 = ₹ 65.00/$ 6-month forward on January 1 = ₹ 63.00/$ Spot rate on March 31 = ₹ 62.50/$ Spot rate on June 30 = ₹ 62.00/$

Block 4: International Financial Management 92 The following entries will be passed in the books of the Indian company. Amount in ₹ January 1 1. Sundry debtors 65,000,000 To Sales 65,000,000 2. Forward (₹) Receivable 63,000,000 Deferred Discount 2,000,000 To Forward ($) Payable 65,000,000 March 31 3. Exchange Loss 2,500,000 To Sundry Debtors 2,500,000 4. Forward ($) Payable 2,500,000 To Exchange Gain 2,500,000 5. Discount Expense 1,000,000 To Deferred Discount 1,000,000 June 30 6. Cash 62,000,000 Exchange Loss 500,000 To Sundry Debtors 62,500,000 7. Forward (₹) Payable 62,500,000 To Exchange Gain 500,000 To Cash 62,000,000 8. Cash 63,000,000 To Forward (₹) Receivable 63,000,000 9. Discount Expenses 1,000,000 To Deferred Discount 1,000,000 In accordance with the 'Accounting Standard', the original transaction is initially recorded at the spot rate as on the date of the transaction (entry 1). The receivable is translated on March 31 at the ruling spot rate, and the exchange loss is accounted for in the period in which it arose (entry 3). Again, when the debtors are realized on June 30, the exchange loss is accounted for. The treatment of the forward contract is also in accordance with the accounting standard. The discount is spread over the life of the contract and accounted for in the relevant periods (entries 5 and 9). 15.3.2 Translation of Financial Statements of a Foreign Entity The assets and liabilities of a foreign subsidiary or company are denominated in foreign currency. It must be translated into domestic currency units to accommodate them in financial statements. There are four methods which guide

Unit 15: International Accounting and Taxation 93 the translation of the financial statements of a foreign entity, whether independent or integrated. These are: ? Current/Non-current method ? Monetary/Non-monetary method ? Temporal method ? Current rate method. For understanding these methods, we need to first understand a few terms: Historical exchange rate: It is the rate at which a transaction was settled. For example, the rate which was used to convert the domestic currency into the foreign currency for settling the payment for a machinery bought by the company. In cases where no actual currency conversion takes place, it is the rate prevailing at the time the original transaction took place. For example, if the machinery in the above example was bought by a foreign subsidiary, there would have been no conversion of currency. In that case, the historical rate would have been the rate prevailing when the machinery was bought. Current or closing exchange rate: It is the rate prevailing on the date of translation of accounts. Average rate: It is the average of the rates prevailing over a certain period. Current/Non-Current Method This method is based on the premise that exposure is linked to the maturity of the asset or liability. Hence, does not give importance to its nature. It advocates the conversion of all current assets and liabilities at the closing rate, and all non- current assets and liabilities at the historical rate. All items of income and expenditure are required to be converted at the average rate for the relevant period, except those items that are related to non-current assets and liabilities. All such items (like depreciation) are to be converted at the same rate as the related asset or liability. As the non-current assets and liabilities are converted at the historical rate, this method results in only the current assets and liabilities being exposed to exchange rate movements. Hence, when the foreign subsidiary has a positive working capital, the parent company books an exchange gain on depreciation of the domestic currency, and an exchange loss on its appreciation. Conversely, when the foreign subsidiary has a negative working capital, the parent company would book an exchange loss on depreciation of the domestic currency, and an exchange gain on its appreciation. Monetary/Non-Monetary Method This method emphasizes the nature of the item rather than its maturity. This method classifies the assets and liabilities into

78%	MATCHING BLOCK 306/335	W

monetary and non-monetary items. Monetary items are money held and assets and liabilities to be received or paid in fixed or determinable amounts of

money. Under this method, the monetary assets
Block 4: International Financial Management 94 and liabilities (like

61%	MATCHING BLOCK 307/335	W

cash, accounts receivables, accounts payable) are translated at the closing rate, and the non-monetary items (like inventory, building) are translated at

the historical rate. Items of the income statement are translated at the average rate, except for those related to the non-monetary items (like depreciation and cost of raw material consumed). These are translated at the rate at which the corresponding non-monetary asset or liability is translated. This differentiation between the items of the income statement may lead to some mismatches. For example, while sales are translated at the average rate, a part of cost of goods sold (to be specific, cost of raw materials consumed) may get reflected at the historical rate. Temporal Method This method classifies items basing upon whether they are valued at historical or on market price. All the balance sheet items valued at historical cost are valued at the historical rate. All the balance sheet items valued on realizable value (or current value) are valued at the closing rate. Effectively, this temporal method is a modification of the monetary/non-monetary method, as the monetary assets and liabilities get translated at the closing rate, with the non-monetary items getting translated at the historical cost. The modification lies in the fact that under this method, the inventory gets translated at the closing rate despite being a non- monetary item, if it is valued in the balance sheet at the realizable value. Under this method, the income statement items are also translated in the same way as under the monetary/non-monetary method. Current Rate Method Under the current rate method, all assets, liabilities, incomes and expenditures are translated at the current or closing rate. The idea is to retain the relationship (ratios) between various items of the balance sheet and income statement. The following Exhibit 15.1 showcases the differences in computational mode of foreign currency operations in relation to Indian GAAP, IFRS and Ind AS. Exhibit 15.1: AS 11 Vs IAS 21 Vs Ind AS 21 Indian GAAP IFRS Ind AS AS 11 –

97%	MATCHING BLOCK 308/335	W

The Effects of Changes in Foreign Exchange Rates IAS 21 – The Effects of Changes in Foreign Exchange Rates

97%	MATCHING BLOCK 309/335	W

The Effects of Changes in Foreign Exchange Rates IAS 21 – The Effects of Changes in Foreign Exchange Rates

79%	MATCHING BLOCK 312/335	W

The Effects of Changes in Foreign Exchange Rates IAS 21 – The Effects of Changes in Foreign Exchange Rates Ind AS 21 – The Effects of

Changes in Foreign Exchange Rates Financial statements should be presented in the reporting currency. Financial statements should be presented in the functional currency. Financial statements should be presented in the functional currency.
Unit 15: International Accounting and Taxation 95 The reporting currency should be of the country in which the enterprise is domiciled. In case there is any change then the same with reasons, should be disclosed. Anything other than functional currency is a foreign currency. The

71%	MATCHING BLOCK 310/335	W

functional currency should be the currency of the primary economic environment in which the enterprise operates.

67%	MATCHING BLOCK 311/335	W

functional currency should be the currency of the primary economic environment in which the enterprise operates. In

71%	MATCHING BLOCK 313/335	W

functional currency should be the currency of the primary economic environment in which the enterprise operates.

case the entity's presentation currency differs from its functional currency then its results and financial position are also translated into presentation currency in the prescribed manner. Anything other than functional currency is a foreign currency. The

71%	MATCHING BLOCK 314/335	W

functional currency should be the currency of the primary economic environment in which the enterprise operates.

67%	MATCHING BLOCK 315/335	W

functional currency should be the currency of the primary economic environment in which the enterprise operates. In

71%	MATCHING BLOCK 323/335	W

functional currency should be the currency of the primary economic environment in which the enterprise operates.

case the entity's presentation currency differs from its functional currency then its results and financial position are also translated into presentation currency in the prescribed manner. Anything other than functional currency is a foreign currency. Permitted to fully capitalize foreign exchange difference arising on reporting of long-term foreign currency monetary items till 31 st March 2020. As asset or liability shall be designated as long-term foreign currency monetary item, if such asset or liability is expressed in a foreign currency and has a term of 12 months or more at the date of origination of the asset or the liability. Income statement to capture all gains and losses arising on retranslation of monetary assets and liabilities denominated in foreign currency. Business firms have the option to recognize unrealized exchange differences arising on translation of long-term monetary assets and monetary liabilities directly in equity. This shall accumulate as a separate component of equity. . Source: ICFAI Research Center
Block 4: International Financial Management 96 15.3.3 Effect of Changes in Foreign Exchange Rates: Ind AS 21 According to this accounting standard,

99%	MATCHING BLOCK 316/335	W

a foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, including transactions arising when an entity: a. Buys or sells goods or services whose price is denominated in a foreign currency, b. Borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency, or c. Otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.

A foreign currency transaction should be recorded, on initial recognition in the functional currency. This is

70%	MATCHING BLOCK 318/335	W

by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency as on the transaction date. The transaction date is the date on which the transaction first qualifies for recognition in

61%	MATCHING BLOCK 317/335	W

at the spot exchange rate between the functional currency and the foreign currency as on the transaction date.

87%	MATCHING BLOCK 319/335	W

date. The transaction date is the date on which the transaction first qualifies for recognition in

terms of the Indian Accounting Standards (Ind AS). For practical reasons, a rate that approximates the actual rate at the transaction date is often used. For example, an average rate for a week or a month might be used for all the transactions in each foreign currency occurring during that period. However, if the exchange rates fluctuate significantly, then the use of the average rate for a period is inappropriate. At the end of each reporting period, the foreign currency items shall be translated in the following manner:

76%	MATCHING BLOCK 320/335	W

a. Foreign currency monetary items shall be translated applying the closing rate. b. Non-monetary items that are measured

on the basis

56%	MATCHING BLOCK 321/335	W

of historical cost in a foreign currency shall be translated by applying the exchange rate prevalent as on the transaction date. c. Non-monetary items that are measured at fair value in a foreign currency shall be translated

by applying the exchange rates as on the date when the fair value was determined. The carrying amount of an item is calculated in conjunction with the other relevant 'Standards'. Whether the carrying amount is calculated on the basis of historical cost or fair value, if the amount is determined in a foreign currency then it is translated into the functional currency in accordance with its relevant 'Standard'. The carrying amount of some items is calculated by comparing the appropriate cost or carrying amount, translated at the exchange rate at the date on which that amount was determined i.e. the rate prevalent on the transaction date for an item
Unit 15: International Accounting and Taxation 97 measured in terms of historical cost and the net realizable value or recoverable amount, as appropriate, translated at the exchange rate at the date at which that value was determined. The result of this comparison may be that an impairment loss is recognized in the functional currency but would not be recognized in the foreign currency, or vice versa. When several exchange rates are available, then the rate applied is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. If exchangeability between two currencies is temporarily lacking, then the rate applied is the first subsequent rate at which exchanges could be made. The following gives a picture of how the foreign currency transactions are managed in Infosys Limited, one of the leading business conglomerates in the Information Technology (IT) industry in India. Transactions and translations Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of comprehensive income. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and

55%	MATCHING BLOCK 322/335	W

measured at fair value are translated at the exchange rate prevalent at the date when the fair value was

100%	MATCHING BLOCK 325/335	W

at the date when the fair value was determined. Non-monetary

assets and non- monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining the net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction. The translation of financial statements of the foreign subsidiaries to the functional currency of the company is performed for assets and liabilities using the exchange rate in effect at the balance sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed off, in full, the relevant amount is transferred to net profit in the statement of comprehensive income. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.
Block 4: International Financial Management 98 Goodwill and fair value adjustments

73%	MATCHING BLOCK 324/335	W

arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign

66%	MATCHING BLOCK 327/335	W

acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the

balance sheet date. Activity 15.1 Accounting is the language of the business. Analyze the significant terminologies that play a vital role in the context of international accounting. Let us now see a few illustrations to understand the process of translation of accounts. Illustration 15.2 An Indian company has the following foreign currency assets and liabilities: Long-term loan $ 15,000 Investments $ 10,000 Real asset in the US $ 20,000 The exchange rate at the beginning of the year was ₹ 62.50/$. At the end of the year it was ₹ 63.50/$. The rate when the real estate was bought was ₹ 55/$. What would be the profit or loss due the translation risk exposed to by the company at the end of the financial year? The following steps indicate the translation of the referred accounts as per applicable rates. At the beginning of the year, the assets and liabilities will be translated at: Long-term loan $ 15,000 @ ₹ 62.50/$ = ₹ 9,37,500 Investments $ 10,000 @ ₹ 62.50/$ = ₹ 6,25,000 Real estate $ 20,000 @ ₹ 55/$ = ₹ 11,00,000 Net foreign currency assets = ₹ (6,25,000 +11,00,000 – 9,37,500) = ₹ 7,87,500 At the end of the year, the assets and liabilities will be translated at: Long-term loan $ 15,000 @ ₹ 63.50/$ = ₹ 9,52,500 Investments $ 10,000 @ ₹ 63.50/$ = ₹ 6,35,000 Real estate $ 20,000 @ ₹ 55/$ = ₹ 11,00,000
Unit 15: International Accounting and Taxation 99 Net foreign currency assets = ₹ (6,35,000 + 11,00,000 – 9,52,500) = ₹ 7,82,500 The difference between ₹ 7,87,500 and ₹ 7,82,500 (i.e., ₹ 5,000) will be booked as exchange loss in the profit and loss account. Check Your Progress -1 1. What is the name given to foreign operations that are an extension of domestic operations? a. Integral foreign operations b. Dependent foreign operations c. Independent foreign operations d. Independent domestic operations e. International operations 2. Which of the following accounting standards deal with foreign currency transactions as prescribed by Institute of Chartered Accountants of India? a. Ind AS 11 b. Ind AS 21 c. Ind AS 18 d. Ind AS 8 e. Ind AS 28 3. Which of the following rates refer to the prevailing rate on date of translation of accounts? a. Historical exchange rate b. Current exchange rate c. Average rate d. Forward exchange rate e. Spot exchange rate 4. Which of the following method classifies items based on whether they are valued at historical basis or on market price basis? a. Current rate b. Historical rate c. Average rate d. Temporal e. Monetary
Block 4: International Financial Management 100 5. Which of the following term to given to primary economic environment in which the entity operates? a. Foreign currency b. Functional currency c. Presentation currency d. Domestic currency e. International currency Illustration 15.3 An Indian company has a branch in New York. The Profit and Loss Account and the Balance Sheet of the branch are given as under: Particulars ('000 $) Sales 1,500 Opening Inventory 150 Received from Head Office 800 950 Closing Inventory 50 Cost of Goods Sold 900 Depreciation 40 Other Expenses 60 1,000 PBT 500 Tax 200 PAT 300 Assets: Fixed Assets 200 Debtors 150 Cash 50 Inventory 200 600 Liabilities: Head Office Balance 100 Profit for the Year 300 Long-term Loans 100 Current Liabilities 100 600
Unit 15: International Accounting and Taxation 101 The exchange rates are as follows: At the beginning of the year ₹ 63.00/$ At the end of the year ₹ 64.00/$ Average rate ₹ 63.50/$ At the time of acquisition of the fixed assets ₹ 60.00/$

100%	MATCHING BLOCK 326/335	W

The balance in the 'branch account' in the books of the head office

stands at ₹ 5,000,000. What would be the profit or loss due the translation risk exposed to by the company at the end of the financial year? The following steps indicate the translation of the referred accounts as per applicable rates. The fixed assets will be translated at the historical rate of ₹/$60.00. All other assets will be translated at the closing rate of ₹/$64.00. Here, the assumption is that the inventory has been valued at the market value. The head office balance will be taken at ₹ 5,000,000. Loans and current liabilities will be translated at the closing rate. The profit in the balance sheet will be the balancing figure. This balancing figure will be inclusive of exchange gain/loss and will be taken to the P&L Account. In the P&L Account, sales will be translated at the average rate of ₹/$ 63.50. The opening and the closing inventory will be valued at the opening and the closing rates respectively. Depreciation will be translated at the same rate as fixed assets. All other items of income and expenditure will be translated at the average rate. The translated accounts will be: Profit and Loss Account ('000 $) Translation Rate ('000 ₹) Sales 1,500 63.50 95,250 Opening inventory 150 63.00 9,450 Received from H.O. 800 63.50 50,800 950 60,250 Closing inventory 50 64.00 3,200 Cost of goods sold 900 57,050 Depreciation 40 60.00 2,400 Other expenses 60 63.50 3,810 1,000 63,260 PBT 500 31,990 Tax 200 63.50 12,700 PAT 300 19,290
Block 4: International Financial Management 102 Balance Sheet ('000 $) Translation Rate ('000 ₹) Assets: Fixed Assets 200 60.00 12,000 Debtors 150 64.00 9,600 Cash 50 64.00 3,200 Inventory 200 64.00 12,800 600 37,600 Liabilities: Head Office balance 100 5,000 Profit for the year 300 19,800 Long-term loans 100 64.00 6,400 Current liabilities 100 64.00 6,400 600 37,600 The profit figure in the balance sheet (in ₹) is the balancing figure. This figure is inclusive of the exchange gain/loss and is transferred to the Profit and Loss Account. Hence, the completed P&L A/c will look as follows: ('000 $) Translation Rate ('000 ₹) PBT 500 31,990 Tax 200 63.50 12,700 PAT 300 19,290 Exchange gain (loss) – (510) 300 19,800 As mentioned previously, Indian Company Law does not require the consolidation of a subsidiary's accounts with the parent company's accounts. Hence, the 'Indian Accounting Standards' do not state the requirements either about the exchange rate to be used for translating the assets and liabilities of a subsidiary, or about the treatment of the resultant exchange gain or loss in the parent company's books. Hence, the provisions of the International Accounting Standard (IAS – 21) needs to be studied for translation of subsidiary's accounts. According to the International Accounting Standard, all the assets and liabilities of a subsidiary (or any other independent foreign entity) should be translated at the closing exchange rate, and the exchange gain or loss recorded as a part of the equity of the subsidiary. This exchange gain or loss is not to be recorded as an income or expense till the investment in the subsidiary is disposed off. Similarly, any exchange gain or loss arising out of translating incomes and expenditures at the spot rate as on the date of the transaction (or the average rate), should not be recognized as income or expenditure for the period. This is because a change in
Unit 15: International Accounting and Taxation 103 the value of the assets or liabilities of the subsidiary is nothing except a change in the value of the parent company's investment in the subsidiary. The International Accounting Standard – 21 is given in Appendix 1. Let us see an illustration. Illustration 15.4 The balance sheets of Amex Ltd. and its foreign subsidiary Boxen Ltd. as on 31.3.20X1 are as follows: Amex Ltd. Boxen Ltd. (in ₹) (in $) Assets: Fixed assets 25,00,000 25,000 Investment in subsidiary 10,00,000 - Net current assets 5,00,000 12,000 40,00,000 37,000 Liabilities: Share capital 15,00,000 10,000 Reserves and surplus 15,00,000 17,000 Long-term loans 10,00,000 10,000 40,00,000 37,000 Amex Ltd. acquired 100% shares of Boxen Ltd. on April 1, 20XX. Out of the present reserves of Boxen Ltd., ₹ 15,000 are pre-acquisition reserves. The exchange rate at the time of acquisition was ₹ 60.00/$. The closing exchange rate is ₹ 64.00/$, and the average exchange rate over the year was ₹ 63.00/$. Prepare the consolidated balance sheet of Amex Ltd. as on 31.3.20X1. Boxen Ltd.'s translated balance sheet will be: (in $) Translation rate (in ₹) Assets: Fixed assets 25,000 64.00 16,00,000 Net current assets 12,000 64.00 7,68,000 37,000 23,68,000 Liabilities: Share capital 10,000 60.00 6,00,000 Reserves and surplus Pre-acquisition 15,000 60.00 9,00,000 Post-acquisition 2,000 63.00 1,26,000 Exchange difference (b.f.) 1,02,000 Long-term loans 10,000 64.00 6,40,000 37,000 23,68,000
Block 4: International Financial Management 104 The consolidated balance sheet of Amex Ltd. will be: (in ₹) Assets: Fixed assets 41,00,000 Net current assets 12,68,000 53,68,000 Liabilities: Share capital 15,00,000 Reserves and surplus Reserves 21,26,000 Exchange difference 1,02,000 Long-term loans 16,40,000 53,68,000 In accordance with the accounting standard, all the assets and liabilities are translated at the closing rate. The post-acquisition reserves, reflecting the net profit earned after the acquisition, are translated at the average rate. Though the exchange rate that needs to be applied to Boxen Ltd.'s share capital and pre-acquisition reserves (in its translated balance sheet) is not specified in the IAS-21, other provisions of the Accounting Standard imply that it should be the historical rate. Let us analyze the reason. Let us suppose that the share capital and pre-acquisition reserves are translated at the closing rate. This would make their combined value equal to ₹ 16,00,000. This will, in turn, reduce the exchange difference (which is a balancing figure) to ₹ 2,000. This would effectively amount to revaluing Amex Ltd.'s investment in Boxen Ltd. at the closing rate and reducing the exchange difference by a corresponding amount (thus understating it). This would imply recognizing the exchange gain as a profit, before the disposal of the investment in the subsidiary, which is specifically prohibited by the International Accounting Standard. Hence, the initial investment in the subsidiary, which is reflected in Boxen Ltd.'s share capital and pre-acquisition reserves in the above problem, should be translated at the historical rate. It may be noted that in the illustration, the exchange difference is not recorded as a profit for the period and is instead taken as a part of 'Reserves'. The above illustration is a very simplified example of the consolidation of the accounts of a parent company and its foreign subsidiary. In reality, there may be a number of complications like the parent company holding more than 50% but less than 100% shares of the subsidiary, or the investment in the subsidiary not being equal to the share capital and pre-acquisition reserves of the subsidiary, implying the fair value of the latter's assets and liabilities being different than their book value. These, and other issues (the accounting for which is beyond the scope of this book), make accounting for international operations a complex procedure.

Unit 15: International Accounting and Taxation 105 15.4 International Taxation An entity operating in more than one country faces a multiplicity of tax rules. Each country determines its own tax rules as to the scope of income that it can tax, depending upon the residential status of the business entity and the place where the entity's source of income is originated. In the post-liberalization era, there has been a heightened level of economic activity across the national frontiers. There has been a significant increase in both 'Foreign Direct Investment' and 'Foreign Portfolio Investment'. International taxation is a body of legal provisions embedded in the tax laws of every nation to capture the tax aspects of cross border business transactions. When a firm operates in more than one country, it must face multiple tax rules. Every country has its own tax rules and tax is levied depending on the residential status of the business entity and the place of the firm's source of income. The Income Tax Act, as amended from time to time, determines the tax rules in India. In order to boost exports, the Income Tax Act gives several concessions to Indian exporters. These concessions are in the form of exempt incomes and deductions allowed to be claimed from total income. For example: Under Section 10AA of the Act, newly established units in Special Economic Zones on or after 1 st April 2006 can claim tax exemption for a period of 15 years from the year it begins production. Amount of deduction: The amount of deduction depends on the quantum of profit derived from export of articles or things or services (including computer software). Export Profit = (Export turnover/Total turnover) x Profits of the business Period of deduction 15

77%	MATCHING BLOCK 328/335	W

First 5 consecutive assessment years 100% of export profits Next 5 assessment years 50% of export profits Next 5 assessment years 50% of export profits or the amount credited to SEZ Reinvestment Allowance Reserve, whichever is lower. ?

100%	MATCHING BLOCK 330/335	W

Where any amount credited to Special Economic Zone Re-Investment Reserve Account has been utilised for any purpose other than the purchase of machinery or plant, the amount so utilised shall be deemed to be the profits of the year in which the amount from the reserve is mis-utilised and shall be charged to tax in that year 15

https://pioneerone.in/faqs-on-section-10aa-deduction-available-to-units-in-sez/#:~:text=What%20is%20Section%2010AA%3F,of%20goods%2Farticles%2Fservices.
Block 4: International Financial Management 106 ?

100%	MATCHING BLOCK 329/335	W

Similarly, if the amount credited to Special Economic Zone Re-Investment Reserve Account has not been utilised before the expiry of the aforesaid period of 3 years, the amount not so utilised shall be deemed to be the profits of the year immediately following the expiry of the said 3 years and shall be charged to tax in that year. 15.4.1

Double Taxation One of the major factors acting as an impediment to international trade is the possibility of double taxation. The income earned by an entity in a foreign country may be taxed twice, once in the country in which it has been earned, and the second time in the country in which the entity is based. The effect of this double taxation is to reduce the after-tax income available to the entity, thus reducing the benefits of international trade. Let us see an example. Suppose a company based in New York undertakes and completes a project in France. It is eligible to receive $ 100,000 for the project. This earning is, however, subject to a withholding tax @ 20 percent. (Withholding tax is the tax that an entity must pay to a foreign government on incomes earned in that country.) Finally, the company's income is taxable @ 20 percent in the US. The after-tax income of the company from the project will be: Pre-tax income = $ 100,000 Withholding tax = $ 20,000 Home tax payable = $ 20,000 Post-tax income = $ 60,000 This drawback of double-taxation is recognized the world over. To overcome the effect of double taxation, India has signed 'Double Tax Avoidance Agreement' (DTAA) with 96 countries as on December, 2022 16 . Under such bilateral treaty signed with each of those countries, even when the income of the two countries is taxed twice in the respective countries, the tax is split between the countries in such a way that the tax payable by the company does not exceed the amount that would have been payable, when the income was taxable only in one country. When bilateral treaty is not available unilateral relief is provided to the entity in the form of a tax credit. In the absence of a bilateral treaty between two countries, sometimes the country in which the business entity is domiciled extends a unilateral relief to the entity in the form of a tax credit. A tax credit is given by way of reduction in the tax payable by the entity on an international transaction by the amount it has paid as 16 https://incometaxindia.gov.in/pages/international-taxation/dtaa.aspx

Unit 15: International Accounting and Taxation 107 withholding taxes. For example, if the US were extending a tax credit to the business entity in the above example, its after-tax income would have been Pre-tax income = $ 100,000 Withholding tax = $ 20,000 Home tax payable = Nil Post-tax income = $ 80,000 Thus, a tax credit results in the firm effectively paying only one tax – the domestic tax or the withholding tax, whichever is higher. To recall this was the tax rate that was used to evaluate a foreign project. Taxation Relief As acclaimed the Indian Income Tax Act 1961 allows 2 provisions to provide specific relief to taxpayers to save them from 'Double Taxation Avoidance Agreement' (DTAA). Section 90 is for taxpayers who have paid tax to a country with which India has signed DTAA and Section 91, which provides relief to tax payers who have paid tax to a country with which India has not signed DTAA. Relief from Double Taxation can be provided in two ways 17 : 1. Bilateral Relief Indian government offers protection against double taxation by entering a DTAA with another country, based on mutually acceptable terms. Such relief may be offered under two methods namely; ? Exemption method that ensures complete avoidance of tax overlapping, and ? Tax credit method that provides relief by giving taxpayer a deduction from tax payable in India. 2. Unilateral Relief When there is no mutual agreement between the countries, relief is provided by the home country. This leads to three situations: (I) In case there is DTAA with the Country, then Tax Relief can be claimed u/s 90. (II) In case there is DTAA with the Specified Associations, then Tax Relief can be claimed u/s 90A. (III) In case there is No DTAA, then Tax Relief can be claimed u/s 91. 17 https://help.myitreturn.com/hc/en-us/articles/219732867-What-is-relief-u-s-90-90A-and-91- #:~:text=The%20double%20taxation%20relief%20would,twice%20on%20the%20same%20income. Block 4: International Financial Management 108 Objectives of the DTAA could be: ? Elimination of double taxation ? Promotion of mutual economic relations, trade and investment ? Certainty on type of income and amount of tax payable irrespective of tax laws of foreign countries ? Establishing the right of a country to tax any income stream ? Exchange of information to tackle tax evasion of tax avoidance. Unilateral Relief under Section 91 paves way for the Indian government relieving an individual from double taxation whether there is no DTAA between India & its concerned other country. Unilateral relief provided if: ? The company or person has been a resident of India in the previous year; ? Same income must be accrued to & received by the taxpayer outside India in the previous year; ? Income should have been taxed in India and in other country with which there is no tax treaty; and ? The company or person has paid tax as per the laws of concerned foreign country. Thereafter, we can see that India provides relief to both types of taxpayers in avoiding double taxation by following the standard agreeable terms. Tax Residency Certificate (TRC) 18 Rule 21 AB of the Income Tax Rules specify that a tax residency certificate should be submitted by filling of Form 10FA. The information to be provided by the assesse includes: ? The status of the assesse ? The

63%	MATCHING BLOCK 335/335	W

period for which the certificate as per Sec 90 and 91 is sought ? Address of the assesse in the country or specified territory outside India ? Duration for which the certificate is applicable ?

Assessee's TIN in the country of residence 15.4.2 Tax-havens A 'tax-haven' is a country where there is no tax on income or is taxed at low rate. Multinational companies engage in tax planning by moving from a high tax jurisdiction to a low tax one in order to drive down their overall tax liability. As most foreign entities take undue advantage of tax-havens, the Organization for 18 https://taxguru.in/income-tax/tax-residency-certificate.html

Unit 15: International Accounting and Taxation 109 Economic Cooperation and Development (OECD) has outlined three parameters to consider a particular jurisdiction as tax-haven or not: ? Rate of tax applicable ? Withholding personal financial information ? Lack of transparency Many of the fortune 500 companies have established their presence in tax heaven countries to take advantage of no tax in these countries. The following lists down the top ten nations around the world that are tax-havens. Activity 15.2 Discuss the advantages being enjoyed by some of the Fortune 500 companies that have their presence in tax- haven countries. Answer: 15.4.3 Transfer Pricing 'Transfer price' refers to the price of goods/services which is used in accounting for transactions between related parties. Transfer pricing is a major tool in the hands of MNCs to avoid tax. In the transfer pricing system, the transfer pricing must be computed on the basis of the arm's length principle so that the price determined is the Arms Length Price (ALP). In today's globalized world, many business transactions happen between related (or controlled) parties at unreasonable prices. For example, subsidiaries of an MNC operating out of a high tax zone may supply raw material to the parent company at a nominal price and shift profits through under-invoicing of exports or over-invoicing of imports. All profits of such entities get concentrated in tax-havens or low tax zones. There are three types of transfer pricing adjustments: a. Primary Adjustment: These are normal adjustments made by the tax authorities to a company's taxable profits. This is done because the underlying company would apply the arm's length principle to transactions involving an associated enterprise in a second tax jurisdiction. b. Secondary Adjustment: It is based on the premise of notional transaction. It is believed that if the original transaction was made at arm's length price and primary adjustments were to be made subsequently, there arises a variance. c. Corresponding Correlative Adjustment: These adjustments are made by other tax jurisdictions that correspond to the primary adjustment made by the first tax jurisdiction.

Block 4: International Financial Management 110 The Government of India introduced a new transfer pricing provision under Section 92CE of the Income Tax Act, 1961 stating that secondary adjustment will be made by a taxpayer to the following primary adjustment. Furthermore, it was proposed that, as a result of the primary adjustment to transfer pricing, a taxpayer is required to repatriate excess funds, if any, held by an associated enterprise (AE) to India within the prescribed period of time. If it fails to do so, the excess funds will be regarded as an advance granted by the taxpayer to its AE, with the interest on such advance being computed as per the transfer pricing provisions. The proposed new transfer pricing provision under Section 92CE of the Income Tax Act, 1961 shall not be applicable if the amount of primary adjustment made does not exceed ₹ 1 crore, or where primary adjustment is made in respect of an assessment year beginning on or before 1 April 2016. Example: Global Giant Google Reduced its taxes by $3.1 billion Using Transfer Pricing Mechanism. Using the technique of transfer pricing, Google reduced its taxes by $ 3.1 billion. This was done when the company has shifted its profits to Bermuda from Ireland and Netherlands. Adopting this strategy, Google reduced its tax rate abroad to 2.4%. Corporate tax in Ireland is 12.5 % while it is around 35 % in US. When it comes to revenue for Google, Ireland is its second largest market with around 28% to 30%. Due to various tax advantages in Ireland, the country has been able to attract many MNC's. Due to this factor, the profits of Google has increased considerable in its Bermuda office. Google – Ireland whose administration was handled in Bermuda held its IPR and the copy right was enjoying tax shelter in Bermuda as Google with held small portion of ad revenue in Netherlands and this strategy adopted by google was Conduit company. Company has been able to successfully avoid taxes in US on its foreign dividends by carefully listing on US stock exchange as the profits of its Bermuda subsidiary were included in its consolidated financial statements. Source- https://tpcgroup-int.com/english/blog/transfer-pricing/transfer-pricing-mazes-the- googles-case/ dated 20 th September 2021, Date of access- 19 th August 2022 Check Your Progress – 2 6. Which of the following terms would provide legal framework for tax laws of every nation to capture the tax aspects of cross border business transactions? a. International accounting b. International taxation c. International financing

Unit 15: International Accounting and Taxation 111 d. International trade e. International investment 7. Which of the following statement is to be adopted to the deductions applicable under Section 10 AA of an eligible undertaking? a. Total income of the taxpayer b. Total income of the undertaking c. Total income of both the taxpayer and undertaking d. Total business income e. Total income from other sources 8. Under Section 10AA, deductions of 100% profits and gains derived from export of articles or things or from services is deductible. For how many assessment years this deduction is applicable. a. Five consecutive b. Four consecutive c. Two consecutive d. Three consecutive e. Six consecutive 9. Which of the following terms depict a possible obligation that may or may not arise subject to past events that is not wholly within the control of the person? a. Liability b. Contingent liability c. Provision d. Obligating event e. Executory contracts 10. Which of the following terms represent the imposition of two or more taxes on the same income, assets or any financial transaction in different countries? a. Central excise tax b. Goods and service tax c. Value-added tax d. Double taxation e. Withholding tax 15.5 Summary ? International accounting and taxation are very complex and extensive topics, due to the multiplicity of rules in different countries.

Block 4: International Financial Management 112 ? Knowledge of various implications related to international accounting and taxation is essential to make decisions regarding international trade. ? A foreign transaction involves activities relating to exporting, importing, borrowing, lending, investing and forward contracts between two parties across national frontiers. ? A foreign currency transaction may result in a 'receivable' or a 'payable' arising in a foreign currency. Such 'receivable' or 'payable' may be settled at a date subsequent to the transaction date. ? Exposure arising out of foreign currency transactions may be covered using forward contracts, or other hedging tools. ? The Income Tax Act, as amended from time to time, determines the tax rules in India. In order to boost exports, the Income Tax Act gives several concessions to Indian exporters. ? As the Income Tax Act does not contain any specific rules regarding taxation of exchange gains or losses, the same rule is used to decide the taxability of any gain or loss. ? The income earned by an entity in a foreign country may be taxed twice, once in the country in which it has been earned, and the second time in the country in which the entity is based. The effect of this double taxation is to reduce the after-tax income available to the entity, thus reducing the benefits of international trade. ? Indian government offers protection against double taxation by entering a DTAA with another country, based on mutually acceptable terms. ? A 'tax-haven' is a country where there is no tax on income or is taxed at low rate. Multinational companies engage in tax planning by moving from a high tax jurisdiction to a low tax one in order to drive down their overall tax liability. 15.6 Glossary A Tax Credit is provided by way of reduction in the tax payable by the entity on an international transaction by the amount it has paid as withholding taxes. A Tax-Haven is a country where there is no tax on income or is taxed at low rate. Independent Foreign Operation is an entity that operates independently by having its own expenses, incomes, assets and liabilities. Integral Foreign Operations refer to foreign operations that are just an extension of the domestic operations. International Financial Reporting Standards (IFRS) are a set of 'Accounting Standards' developed by the International Accounting Standards Board (IASB) that is becoming the global standard for the preparation of public company financial statements.

Unit 15: International Accounting and Taxation 113 Transfer Price refers to the price of goods/services which is used in accounting for transactions between related parties. Withholding Tax is the tax that an entity must pay to a foreign government on income earned in that country. 15.7 Self-Assessment Test 1. Give a detailed note on the conceptual framework of international accounting. 2. Explain the significant characteristic features for reporting foreign currency transactions. 3. Illustrate the kinds of translation methods used for financial statements of a foreign entity. 4. Enumerate the implications of effect of change in foreign currency rates with specific reference to 'Indian Accounting Standards'. 5. Describe the statistical nature of international taxation. 6. Discuss the rationale behind the context of double taxation principle and the measures implied to avoid and induce tax relaxation. 7. Briefly explain the concept of transfer pricing with example. 15.8 Suggested Readings/Reference Materials 1. Francis Cherunilam, International Business - Text and Cases, 6 th Edition, PHI Learning. 2. P G Apte (2020), International Financial Management, McGraw Hill Education (India) Private Limited. 3. Madhu Vij (2021). International Financial Management – Text and Cases. 4 th edition. Taxmann 4. Charles W. L. Hill, G. Tomas M. Hult (2021). International Business. 12 th edition. McGraw Hill Education (India) Private Limited. 5. Choel S. Eun & Bruce G. Resnick (2022). International Financial Management. 8 th edition. McGraw Hill Education (India) Private Limited. 6. K. Aswathappa (2020). International Business. 7 th edition. McGraw Hill Education (India) Private Limited. 15.9 Answers to Check Your Progress Questions 1. (a) Integral foreign operations Foreign operations that are just an extension of the domestic operations, are referred to as integral foreign operations. For example, a foreign branch that only buys goods from the head office and sells them, would be treated as an integral foreign operation.

Block 4: International Financial Management 114 2. (b) Ind AS 21 In India, reporting of foreign currency transactions is governed by Ind Accounting Standard – 21 prescribed by the ICAI. According to this 'Standard', a transaction in a foreign currency should be translated at the spot rate as on the date of the transaction. For the sake of convenience, transactions in a particular period may be reported at the average rate for the period. 3. (b) Current exchange rate Current or closing exchange rate is the rate prevailing on the date of translation of accounts. 4. (d) Temporal The Temporal method classifies items based on whether they are valued at historical basis or on market price basis. All the items of the balance sheet that are valued on historical cost basis are translated at the historical rate, and those which are valued on current value (or realizable value) are valued at the closing rate. 5. (b)

85%	MATCHING BLOCK 331/335	W

Functional currency Functional currency is the currency of the primary economic environment in which the entity operates. 6. (

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Functional currency is the currency of the primary economic environment in which the entity operates. 6. (

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the currency of the primary economic environment in which the entity operates. 6. (

b) International Taxation 'International Taxation' is a body of legal provisions embedded in tax laws of every nation to capture the tax aspects of cross border business transactions. An entity operating in more than one country faces a multiplicity of tax rules. 7. (b) Total income of the undertaking The deductions applicable under Section 10AA of an eligible undertaking should be taken as total income of an undertaking. 8. (a) Five Consecutive Under Section 10AA, deductions of 100% profits and gains derived from export of articles or things or from services is deductible for a period of five consecutive assessment years. 9. (b) Contingent Liability Contingent liability is a possible obligation that may or may not arise subject to past events that is not wholly within the control of the person.

Unit 15: International Accounting and Taxation 115 10. (d) Double Taxation The income earned by an entity in a foreign country may be taxed twice, once in the country in which it has been earned, and the second time in the country in which the entity is based. The effect of this double taxation is to reduce the after-tax income available to the entity, thus reducing the benefits of international trade.

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International Finance Course Structure Block 1: Fundamentals of International Finance Unit 1 Introduction to International Finance Unit 2 Theories of International Trade Unit 3 International Trade Finance in India Unit 4 Balance of Payments Block 2: Foreign Exchange Transactions Unit 5 International Monetary System Unit 6 The Foreign Exchange Market Unit 7 Exchange Rate Determination Unit 8 Exchange Rate Forecasting Block 3: Exchange Risk Management Unit 9 Introduction to Exchange Risk Unit 10 Management of Exchange Risk Unit 11 International Project Appraisal Block 4: International Financial Management Unit 12 International Financial Markets and Instruments Unit 13 International Equity Investments Unit 14 Short Term Financial Management Unit 15 International Accounting and Taxation Block 5: International Trade Unit 16 Trade Blocks Unit 17 Foreign Trade Policy Unit 18 Documentary Credits Unit 19 Export Finance and Exchange Control Regulations Governing Exports Unit 20 Import Finance and Exchange Control Regulations Relating to Import Finance

Hit and source - focused comparison, Side by Side

Submitted text	As student entered the text in the submitted document.
Matching text	As the text appears in the source.

1/335	SUBMITTED TEXT 35 WORDS	100% MATCHING TEXT 35 WORDS
	Block 4 INTERNATIONAL FINANCIAL MANAGEMENT UNIT 12 International Financial Markets and Instruments 1-55 UNIT 13 International Equity Investments 56-71 UNIT 14 Short-term Financial Management 72-86 UNIT 15 International Accounting and Taxation 87-114	Block 4: International Financial Management Unit 12 International Financial Markets and Instruments Unit 13 International Equity Investments Unit 14 Short Term Financial Management Unit 15 International Accounting and Taxation

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2/335	SUBMITTED TEXT 18 WORDS	75% MATCHING TEXT 18 WORDS
	in a spreadsheet, or transmitted in any form or by any means – electronic, mechanical, photocopying or	in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or

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3/335	SUBMITTED TEXT 20 WORDS	97% MATCHING TEXT 20 WORDS
	ICFAI Foundation for Higher Education (Deemed-to-be-University Under Section 3 of UGC Act, 1956) Donthanapally, Shankarapalli Road, Hyderabad- 501203	ICFAI Foundation for Higher Education, Hyderabad (Deemed-to-be- University under section 3 of UGC Act 1956) Donthanapally, Shankarapalli Road, Hyderabad, 501203

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4/335	SUBMITTED TEXT 18 WORDS	73% MATCHING TEXT 18 WORDS
	the gap between savings and investment is widening gradually in their domestic markets. The growing demand for	The gap between savings and investment is widening gradually in the developing countries. The growing demand for

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5/335	SUBMITTED TEXT 24 WORDS	100% MATCHING TEXT 24 WORDS
	increasing the reserves of the country. A deficit in current account would emerge if the domestic savings is less than domestic investment. ?	increasing the reserves of the country. A deficit in current account would emerge if the domestic savings is less than domestic investment.

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6/335	SUBMITTED TEXT 29 WORDS	100% MATCHING TEXT 29 WORDS
	the sources of external funds can be broadly classified into the following categories: i. External assistance in the form of aid ii. Commercial borrowings iii. Short-term credit iv.	the sources of external funds can be broadly classified into the following categories: i. External assistance in the form of aid. ii. Commercial borrowings. iii. Short-term credit. iv.

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7/335	SUBMITTED TEXT	90 WORDS	90%	MATCHING TEXT	90 WORDS

The flow of external funds into a country depends on various factors like the policy guidelines of the country on commercial borrowings by individual entities, the exchange control regulations of the country, the interest rate ceilings in the financial sector and the structure of taxation. The integration of financial markets across countries has opened the international markets and large variety of financial instruments has emerged to suit the changing needs of the international investors. In this unit, we discuss various instruments that are available in international financial markets.

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8/335	SUBMITTED TEXT	54 WORDS	66%	MATCHING TEXT	54 WORDS

Financial markets across countries facilitate financial intermediation/dis- intermediation and transfer of surplus funds from the savers to the deficit units. The gradual liberalization of the financial sector in the developing countries provided multiple instruments to the savers and the issuers. This converged the needs of the suppliers of the resources with that of the

financial markets across countries facilitate the financial intermediation / disintermediation and transfer of surplus funds from the savers to the deficit units. The gradual 155 liberalization of the financial sector in the developing countries initiated in early '70s started providing multiple instruments to the savers and the issuers converging the needs of suppliers of the resources with that of the users of the

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9/335	SUBMITTED TEXT	78 WORDS	92%	MATCHING TEXT	78 WORDS

the developing economies to depend on external sources for debt or equity capital. The need for external borrowings in a country's economy can be gauged from the National Income and Balance of Payments (BoP) position. From the macro economic theories, the current account surplus or deficit in BoP of a country is nothing but the difference between the domestic savings and domestic investments. If the domestic savings exceed domestic investment, a surplus in current account would result

the developing countries forced them to depend on external sources for debt or equity capital. The need for external borrowings in a country's economy can be gauged from the national income and balance of payment position. From the macro economic theories, the current account surplus or deficit in BOP of a country is nothing but the difference between the domestic savings and domestic investments. If the domestic savings exceed domestic investment a surplus in current account would result

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10/335	SUBMITTED TEXT	17 WORDS	70%	MATCHING TEXT	17 WORDS

Objectives After studying this unit, you should be able to: ? State the origin of international

Objectives After studying this unit, you will be able to: Explain the scope of international

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11/335	SUBMITTED TEXT	43 WORDS	37%	MATCHING TEXT	43 WORDS

After studying this unit, you should be able to: ? State the origin of international financial markets ? Analyse the financial instruments available in the international financial markets ? Identify the players in international financial markets ? Discuss the

After studying this lesson you should able to: ? Explain the Liberalized Foreign Investment Policy ? Understand the Financial Markets ? Explain the Institutions involved in International Financial Markets ? Know the Major Players in Financial Markets ? Explain the

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12/335	SUBMITTED TEXT	18 WORDS	91% MATCHING TEXT	18 WORDS

Origin of International Financial Markets The genesis of the present international markets can be traced back to

Origin of International Finanacial Markets The genesis of the present international markets can be traced back to 1960

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13/335	SUBMITTED TEXT	203 WORDS	90% MATCHING TEXT	203 WORDS

s, when there was a real demand for high quality Dollar-denominated bonds from wealthy Europeans (and others) who wished to hold their assets outside their home countries or in currencies other than their own. These investors were driven by the twin concerns of avoiding taxes in their home country and protecting themselves against the falling value of domestic currencies. The bonds which were then available for investment were subjected to withholding tax. Further, it was also necessary to register the ownership of the bonds. Dollar denominated Euro-bonds were designed to address these concerns. These were issued in bearer forms and so, there was no record of ownership and no tax was withheld. Also, until the 1970s, the international capital markets focused on debt financing and equity finances were raised by the corporate entities primarily in the domestic markets. This was due to the restrictions on cross-border equity investments prevailing until then in many countries. Investors too preferred to invest in domestic equity issues due to perceived risks implied in foreign equity issues either related to foreign currency exposure or related to apprehensions of restrictions on such investments by the regulators. The world economy underwent through substantial changes since the 1970s. We have

s, when there was a real demand for high quality dollar-denominated bonds from wealthy Europeans (and others) who wished to hold their assets outside their home countries or in currencies other than their own. these investors were driven by the twin concerns of avoiding taxes in their home country and protecting themselves against the falling value of domestic currencies. The bonds which were then available for investment were subjected to withholding tax. Further, it was also necessary to register the ownership of the bonds. Dollar denominated Euro-bonds were designed to address these concerns. These were issued in bearer forms and so, there was no record of ownership and no tax was withheld. Also, until 1970, the International Capital Market focused on debt financing and the equity finances were raised by the corporate entities primarily in the domestic markets. This was due to the restrictions on cross-border equity investments prevailing until then in many countries. Investors too preferred to invest in domestic equity issues due to perceived risks implied in foreign equity issues either related to foreign currency exposure or related to apprehensions of restrictions on such investments by the regulators. Major changes have occurred since the '70s which have

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14/335	SUBMITTED TEXT	93 WORDS	97% MATCHING TEXT	93 WORDS

This was the period which saw the removal of exchange controls by countries like the UK, France and Japan which gave a further boost to financial market operations. In addition to this, the application of new technology to financial services, the institutionalization of savings and the deregulation of markets have played an important role in channelizing funds from surplus units to deficit units across the globe. The international capital markets also became a major source of external finance for nations with low internal savings. The markets were classified into Euro market, American (

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15/335	SUBMITTED TEXT	26 WORDS	100% MATCHING TEXT	26 WORDS

market and other foreign markets. The following Figure 12.1 shows the various sources of external finance and various channels for accessing external funds. Figure 12.1:

Market and Other Foreign Markets. The following figure shows the various sources of external finance and various channels for accessing external funds. Figure 1

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16/335	SUBMITTED TEXT	43 WORDS	37% MATCHING TEXT	43 WORDS

After studying this unit, you should be able to: ? State the origin of international financial markets ? Analyse the financial instruments available in the international financial markets ? Identify the players in international financial markets ? Discuss the

After studying this lesson you should able to: ? Explain the Liberalized Foreign Investment Policy ? Understand the Financial Markets ? Explain the Institutions involved in International Financial Markets ? Know the Major Players in Financial Markets ? Explain the

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External Funds IMF IFC ADB Country Funds Global Mutual Funds Pension Funds Commercial Banks, etc. Surplus Units

external funds.IMF IFC ADB Country Funds Global Mutual Funds Pensio Funds Commercial Banks etc. Deficit Units Surplus Units

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Market and Other Foreign Markets. The following figure shows the various sources of external finance and various channels for accessing external funds. Figure 1

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External Funds IMF IFC ADB Country Funds Global Mutual Funds Pension Funds Commercial Banks, etc. Surplus Units

external funds.IMF IFC ADB Country Funds Global Mutual Funds Pensio Funds Commercial Banks etc. Deficit Units Surplus Units

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20/335	SUBMITTED TEXT	38 WORDS	44% MATCHING TEXT	38 WORDS

over $1.03 billion in its initial public offering (IPO) and achieved a market capitalisation of $10.13 billion. This had given a great hope for start-ups who expect the floodgates for other mega product companies from the country.

over $1.03 billion in its initial public offering (IPO) while recording market capitalisation of $10.13 billion, triggering elation among startup mavens who expect the listing to open the floodgates for other mega product companies from the country.

W https://economictimes.indiatimes.com/tech/startups/freshworks-lists-on-nasdaq-after-billion-dolla ...

21/335	SUBMITTED TEXT	35 WORDS	76% MATCHING TEXT	35 WORDS

The Freshworks IPO sold 28.5 million shares at $36 apiece, up from the marketed range of $32-34 and surged on listing, rising as much as 33% to $48 in initial trade on Nasdaq.

The Freshworks IPO saw the SaaS startup sell 28.5 million shares at $36 apiece, up from the marketed range of $32-34. Freshworks' share price then surged on listing, rising as much as 33% to $48 in initial trade on Nasdaq.

W https://economictimes.indiatimes.com/tech/startups/freshworks-lists-on-nasdaq-after-billion-dolla ...

22/335	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS

tech/startups/freshworks-lists-on-nasdaq-after- billion-dollar-ipo/

Tech›Startups›Freshworks lists on Nasdaq after billion-dollar IPO

W https://economictimes.indiatimes.com/tech/startups/freshworks-lists-on-nasdaq-after-billion-dolla ...

23/335	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS

e-commerce or internet space, but from a variety of sectors, such as fintech, logistics, gaming, education, mobility, insurance and software-as-a-

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W https://www.livemint.com/opinion/columns/the-strange-rush-among-indian-companies-to-list-abroad-1 ...

24/335	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS

There has been a total turnaround in the market sentiment for Indian paper since 1991-1992 – albeit with a difference.

There has been a total turnaround in the market sentiment for Indian paper since 1991-1992 – albeit with a difference.

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25/335	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS

India has made its presence felt in the international financial markets though to a very small extent.

India has made its presence felt in the international financial markets though to a very small extent.

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26/335	SUBMITTED TEXT	97 WORDS	99% MATCHING TEXT	97 WORDS

markets. So far, the traditional avenues for raising capital abroad have been through bank borrowings, syndicated loans, lines of credit, bonds and Floating Rate Notes. Access to international capital markets was only through debt instruments and was mostly limited to financial institutions and public sector units, although there were a few cases of private companies also. With the downward revision of India’s credit rating to the non-investment grade, borrowing in the international capital markets dried up with most of the lenders being off-limits (crossing the exposure limit) on India. The picture has since changed. 2

Markets So far the traditional avenues for raising capital abroad have been through bank borrowings, syndicated loans, lines of credit, bonds and floating rate notes. Access to the international capital markets was only through debt instruments and was mostly limited to financial institutions and public sector units, although there were a few cases of private companies also. With the downward revision of India's credit rating to the non-investment grade, borrowing in the international capital markets dried up with most of the Lenders being off limits (crossing the exposure limit) on India. The picture has since changed.

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opinion/columns/the-strange-rush-among-indian-companies-to-list- abroad-11628698094945.

Opinion / Columns/ The strange rush among Indian companies to list abroad

W https://www.livemint.com/opinion/columns/the-strange-rush-among-indian-companies-to-list-abroad-1 ...

28/335	SUBMITTED TEXT	97 WORDS	99% MATCHING TEXT	97 WORDS

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29/335	SUBMITTED TEXT	29 WORDS	100% MATCHING TEXT	29 WORDS

Improved perception of India's economic reforms ? Improved export performance ? Modest to healthy economic indicators ? Inflation contained to single digit ? Improved forex reserves position ?

Improved perception of India's economic reforms ➢ ➢ Improved export performance ➢ ➢ Modest to healthy economic indicators ➢ ➢ Inflation contained to single digit ➢ ➢ Improved Forex reserves position ➢ ➢

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in the economy ? Lack of investment opportunities worldwide and ? Decline in

in the economy ➢ ➢ Lack of investment opportunities worldwide and ➢ ➢ Decline in

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31/335	SUBMITTED TEXT	33 WORDS	96% MATCHING TEXT	33 WORDS

Instruments available in International Financial Markets As in any domestic capital structuring we can segregate international financing into two broad categories. These are: i. Equity financing, and ii. Debt financing. The instruments

Instruments Available in the International Financial Markets As in any domestic capital structuring we can segregate international financing into two broad categories. These are: i. Equity financing and ii. Debt financing. The instruments

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32/335	SUBMITTED TEXT	32 WORDS	93% MATCHING TEXT	32 WORDS

used to raise funds abroad include equity, straight debt or hybrid instruments. The Figure 12.2 exhibits the classification of international capital markets based on instruments used and market(s) accessed. Figure 12.2:

used to raise funds abroad include; Equity, straight debt or hybrid instruments. The following figure shows the classification of international capital markets based on instruments used and market(s) accessed. Figure 2

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33/335	SUBMITTED TEXT 32 WORDS	93% MATCHING TEXT 32 WORDS
	used to raise funds abroad include equity, straight debt or hybrid instruments. The Figure 12.2 exhibits the classification of international capital markets based on instruments used and market(s) accessed. Figure 12.2:	used to raise funds abroad include; Equity, straight debt or hybrid instruments. The following figure shows the classification of international capital markets based on instruments used and market(s) accessed. Figure 2

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34/335	SUBMITTED TEXT 46 WORDS	63% MATCHING TEXT 46 WORDS
	Classification of International Capital Markets Source: ICFAI Research Center International Capital Markets International Bond Market International Equity Market Foreign Bonds Eurobond Foreign Equity Euro Equity Yankee Bonds	classification of international capital markets based on instruments used and market(s) accessed. International Capital Markets International Bond market International Equity Market Foreign bonds Euro Bond Foreign Equity Euro Equity Yankee Bonds

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35/335	SUBMITTED TEXT 22 WORDS	100% MATCHING TEXT 22 WORDS
	According to the World Investment Report, 2022, India was ranked eighth among the world's major FDI recipients in 2020-21, up from	According to the World Investment Report 2022, India was ranked eighth among the world's major FDI recipients in 2020, up from

W https://www.ibef.org/economy/foreign-direct-investment.aspx

36/335	SUBMITTED TEXT 39 WORDS	58% MATCHING TEXT 39 WORDS
	the subordinated additional tier I bonds and Basel III norms compliant. These bonds were unrated and unsecured and carried a coupon rate of 7.55 per cent. These bonds were listed on the India International Exchange (IFSC) Ltd.	The subordinated additional tier I bonds are compliant with Basel III norms. The perpetual bonds, which are unrated and unsecured, carry a coupon rate of 7.55 per cent. The notes (bonds) will be listed on the India International Exchange (IFSC) Ltd

W https://economictimes.indiatimes.com/markets/bonds/hdfc-bank-raises-rs-739-crore-via-masala-bond/ ...

37/335	SUBMITTED TEXT 1 WORDS	100% MATCHING TEXT 1 WORDS
	markets/bonds/hdfc-bank-raises-rs-739-crore-via- masala-bond/	Markets›Bonds›HDFC Bank raises Rs 739 crore via masala bond

W https://economictimes.indiatimes.com/markets/bonds/hdfc-bank-raises-rs-739-crore-via-masala-bond/ ...

38/335	SUBMITTED TEXT 79 WORDS	89% MATCHING TEXT 79 WORDS
	Debt Instruments The issue of bonds to finance cross-border capital flows has a history of over 150 years. In the 19 th century, foreign issuers of bonds, mainly governments and railway companies, used the London market to raise funds. International bonds are broadly classified into two categories: Foreign Bonds: Foreign bonds are the bonds floated in the domestic market denominated in domestic currency by non-resident entities. Dollar denominated bonds issued in the US domestic markets by	Debt Instruments The issue of bonds to finance cross-border capital flows has a history of than 150 years. In the 19 th century, foreign issuers of bonds, mainly governments and railway companies, used the London market to raise funds. International bonds are broadly under two categories Foreign Bonds: These are the bonds floated in the domestic market denominated in domestic currency by non-resident entities. Dollar denominated bonds issued in the US 158 domestic markets by

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39/335	SUBMITTED TEXT 21 WORDS	62% MATCHING TEXT 21 WORDS
	The ₹-denominated bonds, were known as masala bonds, that were issued outside India and not in their local currency but	The rupee-denominated bonds, popularly known as "masala" bonds are instruments that are issued outside India, not in the local currency but

W https://economictimes.indiatimes.com/markets/bonds/hdfc-bank-raises-rs-739-crore-via-masala-bond/ ...

40/335	SUBMITTED TEXT 148 WORDS	95% MATCHING TEXT 148 WORDS
	non-UK companies are known as ‘Bulldog Bonds’. Similarly, currency sectors of other foreign bond markets have special names like Rambrandt Dutch Guilder, and Matador Spanish Peseta, etc. Eurobonds: The term ‘Euro’ originated in the fifties when the USA under the ‘Marshall Plan’ was assisting the European countries in the rebuilding process after the devastation caused by the Second World War. The Dollars that were in use outside the US came to be called as “Eurodollars”. In this perspective, the term ‘Euro’ signifies a currency outside its home country. The term ‘Eurobonds’ thus refers to bonds issued and sold outside the home country of the currency. For example, a Dollar denominated bond issued in the UK is a Euro (Dollar) bond, similarly, a Yen denominated bond issued in the US is a Euro (Yen) bond. Companies wishing to come out with shorter maturities have an option to issue	non-UK companies are known as Bulldog Bonds. Similarly, currency sectors of other foreign bond markets have special names like Rambrand Dutch Guilder, and Matador Spanish Peseta etc. Eurobonds: The term ‘Euro’ originated in the fifties when the USA under the Marshall Plan was assisting the European nations in the rebuilding process a after the devastation caused by the Second World War. The dollars that were in use outside the US came to be called as “Eurodollars”. In This context the term ‘Euro’ signifies a currency outside its home country. The term ‘Eurobonds’ thus refer to bonds issued and sold outside the home country of the currency. For example, a dollar denominated bond issued in the UK is a Euro (dollar) bond, similarly, a Yen denominated bond issued in the US is a Euro (Yen) bond. companies wishing to come out with shorter maturities have an option to issue

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41/335	SUBMITTED TEXT 21 WORDS	100% MATCHING TEXT 21 WORDS
	in the European markets. The important ones being Commercial Paper (CP), Note Issuance Facilities (NIF) and Medium-Term Notes (MTNs).	in the European Markets. The important ones being Commercial Paper (CP), Note Issuance Facilities (NIF) and Medium-Term Notes (MTNs).

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42/335	SUBMITTED TEXT 16 WORDS	90% MATCHING TEXT 16 WORDS
	issued in the Japanese domestic market by the non-Japanese companies are known as ‘Samurai Bonds’	issued in the Japanese domestic markets by the non – Japanese companies are known as Samurai Bonds.

W https://pdfcoffee.com/eurocurrency-market-pdf-free.html

43/335	SUBMITTED TEXT	43 WORDS	93% MATCHING TEXT	43 WORDS

Euro-Commercial Paper issued with maturity of up to one year, is not underwritten and is unsecured. Note Issuance Facilities (NIFs) are underwritten and have a maturity of up to one year. Standby NIFs are those formally designated instruments which back Commercial Paper (

Euro-Commercial Paper issued with maturity of up to one year, are not underwritten and are unsecured. Note Issuance Facilities (NIFs) are underwritten and have a maturity of up to one year. Standby NIFs are those formally designated instruments which back Commercial Paper

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44/335	SUBMITTED TEXT	58 WORDS	95% MATCHING TEXT	58 WORDS

to raise short-term finances. A variation of NIF is the Multiple Component Facility (MCF), where a borrower is enabled to draw funds in several ways, as a part of overall NIF program. These options are referred to as short-term advances and banker's acceptances, and afford opportunities for choosing the maturity, currency and interest rate basis. Medium-Term Notes (

to raise short-term finances. A variation of NIF is the Multiple Component Facility (MCF), where a borrower is enabled to draw funds in a number of ways, as a part of overall NIF program. These options are referred to as short-term advances and banker's acceptances, and afford opportunities for choosing the maturity, currency and interest rate basis. Medium-Term Notes,

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45/335	SUBMITTED TEXT	72 WORDS	97% MATCHING TEXT	72 WORDS

on the other hand, are non-underwritten and are issued for maturities of more than one year with several tranches depending upon the preferred maturities. It is to be noted that in similar circumstances, a typical CP program allows for a series of note issues having regard to the maturity of the overall program. The borrowings in international capital markets are in the form of Euro loans which are basically loans from

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46/335	SUBMITTED TEXT	98 WORDS	100% MATCHING TEXT	98 WORDS

bank to the companies which need long-term and medium-term funds. Broadly, two distinct practices of arranging syndicated credits have emerged in Euromarkets, club loans and syndicated loans. The 'Club Loan' is a private arrangement between lending banks and a borrower. When the loan amounts are small, and the parties are familiar with each other; lending banks form a club and advance a loan - hence the name of 'Club Loan'. Syndicated Euro credit, however, has a full-fledged public arrangement for organizing a loan transaction. It is treated as an integral part of the financial market mechanism with

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47/335	SUBMITTED TEXT 98 WORDS	100% MATCHING TEXT 98 WORDS

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48/335	SUBMITTED TEXT 37 WORDS	89% MATCHING TEXT 37 WORDS

a wide network of banks. Typically, a syndicated loan is available for a maturity of seven years with shorter period transactions having a maturity of 3 to 5 years. 12.4.2 Equity Instruments Until the end of

a wide network of banks participating in the transaction over the globe. Typically, a syndicated loan is available for a maturity of seven years with shorter period transactions having a maturity of 3 to 5 years. Equity Instruments Until the end of 1970

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49/335	SUBMITTED TEXT 50 WORDS	92% MATCHING TEXT 50 WORDS

the 1970s, international capital markets focused on debt financing and equity finances were raised by the corporate entities primarily in the domestic markets. This was due to restrictions on cross-border equity investments prevailing until then in many countries. Investors too preferred to invest in domestic equity issues due to

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50/335	SUBMITTED TEXT 73 WORDS	82% MATCHING TEXT 73 WORDS

perceived risks implied in foreign equity issue either related to foreign currency exposure or related to apprehensions of restrictions on such investments by the national authorities. Early '80s witnessed liberalization of many domestic economies and their globalization as well. Issuers from developing countries, where issue of foreign currency/Dollar denominated equity shares were not permitted, were then able to access international equity markets through the issue of an intermediate instrument called 'Depository Receipt' (

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51/335	SUBMITTED TEXT	73 WORDS	82% MATCHING TEXT	73 WORDS

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52/335	SUBMITTED TEXT	109 WORDS	77% MATCHING TEXT	109 WORDS

DR is a negotiable certificate issued by a depository bank. It represents the beneficial interest in shares issued by a company. These shares are deposited with a local 'custodian' appointed by the depository and receives receipts against such deposit. According to the placements planned, DRs are classified into: (i) Global Depository Receipts (GDRs) (ii) American Depository Receipts (ADRs) (iii) International Depository Receipts (IDRs) Each of the DRs represents a prescribed number of shares in the domestic markets. Generally, in countries with capital account convertibility, the domestic shares and GDRs are convertible. They may be redeemed mutually. This exhibits that, an equity shareholder may deposit

DR) is a negotiable certificate issued by a depository bank which represents the beneficial interest in shares issued by a company. These shares are deposited with a local 'custodian' appointed by the depository, which issues receipts against the deposit of shares. According to the placements planned, DRs are referred to as (i) Global Depository Receipts (GDRs) (ii) American Depository Receipts (ADRs) and (iii) International Depository Receipts (IDRs). Each of the Depository Receipt represents a specified number of shares in the domestic markets. Usually, in countries with capital account convertibility, the GDRs and domestic shares are convertible (may be redeemed) mutually. This implies that, an equity shareholder may deposit

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53/335	SUBMITTED TEXT	96 WORDS	94% MATCHING TEXT	96 WORDS

specified number of shares and obtain a GDR and vice versa. The holder of GDR is entitled to a dividend on the value of the underlying shares of the GDR (issued normally in the currency of the investor country). As far as Indian companies are concerned, the dividends are announced as a percentage of the value of GDR sans premium in Rupee terms converted at the prevailing exchange rate. However, until the Global Depository Receipts (GDRs)/American Depository Receipts (ADRs)/International Depository Receipts (IDRs) are converted, the holder cannot claim any voting rights and there is

specified number of shares and obtain the GDR and vice versa. The holder of GDR is entitled to a dividend on the value of the underlying shares of the GDR (issued normally in the currency of the investor country). As far as Indian companies are concerned, the dividends are announced as a percentage of the value of GR sans premium in rupee terms converted at the prevailing exchange rate. However, until the global Depository Receipts (GDRs)/American Depository Receipts (ADRs)/International Depository Receipts (IDRs) are converted, the holder cannot claim any voting right and also, there is

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54/335	SUBMITTED TEXT	101 WORDS	90%	MATCHING TEXT	101 WORDS

no foreign exchange risk for the company. These types of instruments are ideal for companies which prefer a large shareholder base and international presence. Further, the company will be listed at the prescribed stock exchanges providing liquidity for the instrument. 12.4.3 Quasi-instruments These instruments are considered as debt instruments for a timeframe and are converted into equity at the option of the investor (or at company's option) after the expiry of that particular timeframe. The examples of these are 'Warrants', Foreign Currency Convertible Bonds (FCCBs), etc. 'Warrants' are generally issued along with other debt instruments to act as a 'sweetener'.

no foreign exchange risk for the company. These types of instruments are ideal for companies which prefer a large shareholder base and international presence. The company will be listed at the prescribed stock exchange providing liquidity for the instrument. 160 Quasi-Instruments These instruments are considered as debt instruments for a time-frame and are converted into equity at the option of the investor (or at company's option) after the expiry of that particular frame. The examples of these are Warrants, Foreign Currency Convertible Bonds (FCCBs), etc. Warrants are normally issued along with other debt instruments so as to act as a 'sweetener'.

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55/335	SUBMITTED TEXT	86 WORDS	79%	MATCHING TEXT	86 WORDS

have a fixed coupon rate with a legal payment obligation. It has greater flexibility with the conversion option. This will be at the choice of the investor – to equity. The conversion price of the FCCB closely resembles the trading price of the shares at the stock exchange. Also, the company may incorporate a 'call option' at the choice of the issuer to obtain FCCBs before maturity. This may be due to adverse market conditions, changes in the shareholding pattern, changes of tax laws, etc.

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56/335	SUBMITTED TEXT	252 WORDS	96% MATCHING TEXT	252 WORDS

A 'Euro Convertible Bond' is issued for investments in Europe. It is a quasi- equity issue made outside the domestic market and provides the holder with an option to convert the instrument from debt to equity. An added feature now-a- days is to allow conversion of 'Euro Convertible Bond' into GDR. Till conversion, interest is paid in US Dollars and bond redemption is also done in US Dollars, thus while the investor would prefer the convertible bond as an investment instrument, the issuing company tends to prefer a GDR. An investor can exercise the conversion option at any time or at specified points during the convertible life. The investor exchanges the convertible bond for a specified number of shares. 12.5 Players in International Financial Markets Borrowers/Issuers, Lenders/Investors and Intermediaries are the major players in the international markets. The role of these players is discussed below. 12.5.1 Borrowers/Issuers These primarily are corporates, banks, financial institutions, government and quasi-government bodies and supranational organizations, which need forex funds for various reasons. The important reasons for corporate borrowings are, need for foreign currencies for operations in markets abroad, dull/saturated domestic market and expansion of operations into other countries. Governments borrow in the global financial markets for adjusting the balance of payments mismatches, to gain net capital investments abroad and to keep a enough inventory of foreign currency reserves for contingencies like supporting the domestic currency against speculative pressures. Further, the supranational organizations like the International Monetary Fund (IMF), World Bank, International Finance Corporation (IFC), Asian Development Bank (

A Euro Convertible Bond is issued for investment in Europe. It is a quasi-equity issue made outside the domestic market and provides the holder with an option to convert the instrument from debt to equity. An added feature now-a-days is to allow conversion of Euro Convertible Bond into GDR. Till conversion, interest is paid in US dollars and bond redemption is also done in US dollars, thus while the investor would prefer the convertible bond as an investment instrument, the issuing company tends to prefer a GDR. An investor can exercise the conversion option at any time or at specified points during the convertible life. The investor exchanges the convertible bond for a specified number of shares. Players in the International Financial Markets Borrowers/Issuers, Lenders/Investors and Intermediaries are the major players of the international markets. The role of these players is discussed below. Borrowers/Issuers These primarily are corporates, banks, financial institutions, government and quasi- government bodies and supranational organizations, which need Forex funds for various reasons. The important reasons for corporate borrowings are, need for foreign currencies for operation in markets abroad, dull/saturated domestic market and expansion of operations into other countries. Governments borrow in the global financial for adjusting the balance of payments mismatches, to gain net capital investments abroad and to keep a sufficient inventory of foreign currency reserves for contingencies like supporting the domestic currency against speculative pressures. 161 Further, the supranational organizations like the International Monetary Fund (IMF), World Bank, International Finance Corporation, Asian Development Bank,

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57/335	SUBMITTED TEXT	35 WORDS	100% MATCHING TEXT	35 WORDS

usually, long-term funds to finance diversified financing, sometimes linked to swaps for hedging current/interest rate exposures. These supranationals are also typical examples of large entities appearing in the global markets as both issuers and

usually, long-term funds to finance diversified financing, sometimes linked to swaps for hedging current/interest rate exposures. These supranational are also typical examples of large entities appearing in the global markets as both issuers and

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58/335	SUBMITTED TEXT	108 WORDS	89% MATCHING TEXT	108 WORDS

are mainly banks who possess inherent confidence on the credibility of the borrowing corporate or any other entity mentioned above. In case of a GDR, it is the institutional investors and high net worth individuals (referred as 'Belgian Dentists') who subscribe to the equity of the corporates. For an ADR, it is the institutional investor or the individual investor through the Qualified Institutional Buyer (QIBs) who puts in the money in the instrument depending on the statutory status attributed to the ADR as per the statutory requirements of the land. Investors in global markets come in large numbers to invest that suits their own requirements, investment objectives

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59/335	SUBMITTED TEXT	153 WORDS	97% MATCHING TEXT	153 WORDS

risk-taking abilities and liabilities. The investor range includes private individuals investing through Swiss banks, the IMF and the World Bank. The other major investors are insurance companies, professional pension fund managers and investment trusts. In the United Kingdom, with London still a major force in the international finance market, it is the pension funds and insurance companies which are the major investors in the equity markets and bond markets. In the USA and Japan, the private players have an important role in the equity markets. In Germany, on the other hand, commercial banks play a dominant role as investors. Institutional investors can also be classified as: ? Market Specific Investors: Specialize in specific instruments like equity, convertibles, fixed interest bonds, floating rate bonds, etc. ? Time Specific Investors: Specialize in specific maturity instruments like long-term, medium-term, short-term, etc. ? Industry Specific Investors: Specialize in specific industries like chemical, pharmaceutical, steel, automobiles, etc.

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60/335	SUBMITTED TEXT	22 WORDS	54% MATCHING TEXT	22 WORDS

Japan's "Government Pension Investment Fund" (GPIF) had decided that it would not include yuan- denominated Chinese sovereign debt in its portfolio. The

Japan's Government Pension Investment Fund, the world's largest pension fund, said it won't include yuan-denominated Chinese sovereign debt in its portfolio. The

W https://www.business-standard.com/article/international/world-s-biggest-pension-fund-won-t-buy-ch ...

61/335	SUBMITTED TEXT	242 WORDS	93% MATCHING TEXT	242 WORDS

Intermediaries The intermediaries involved in international capital markets include lead managers/co-lead managers, underwriters, agents and trustees, lawyers and auditors, listing agents and stock exchanges, depository banks and custodians. An overview of the functions performed by each of them is given below: i. Lead and Co-managers: The responsibilities of a lead manager include undertaking due diligence and preparing the offer circular, marketing the issues including arranging roadshows. Lead manager, sometimes in consultation with the issuer, can choose to invite a syndicate of investment banks to buy some of the Bonds/Depository Receipts (DRs) and help sell the remainder to other investors. 'Co-managers' are thus invited to join the deal, each of whom agrees to take a substantial portion of the issue to sell to their investor clients. Quite often, there will be more than one lead manager as mandates are sometimes jointly won, or the investment bank which won the mandate from the issuer may decide that it needs another institution to ensure a successful launch. Two or more managers may also reflect the fact that a geographical spread of placing power is required or deemed appropriate. One of the lead managers will 'run the books' for the issue. This, essentially involves arranging the whole issue, sending out invitation telexes, allotting Bonds/DRs, etc. ii. Underwriters: The lead manager(s) and co-managers act as underwriters for the issue. They take the risk of markets/interest rates moving against them before they have placed DRs/

Intermediaries The intermediaries involved in International Capital Markets include Lead managers/ Co-lead Managers, Underwriters, Agents and Trustees, lawyers and Auditors, Listing Agents and Stock Exchanges, Depository Banks and Custodians. 162 An overview of the functions performed by each of them is given below: i) Lead and Co-managers: The responsibilities of a Lead Manager include undertaking due diligence and preparing the offer circular, marketing the issues including arranging the road Lead manger, sometimes in consultation with the issuer, can choose to invite a syndicate of investment banks to buy some of the Bonds/ DRs and help sell the remainder to other investors. 'Co-managers' are thus invited to join the deal, each of whom agrees to take a substantial portion of the issue to sell to their investor clients. Quite often there will be more than one lead manager as mandates are sometimes jointly won, or the investment bank which actually won the mandate from the issuer may decide that it needs another institution to ensure a successful launch. Two or more managers may also reflect the fact that a geographical spread of placing power is required or deemed appropriate. One of the lead manager will 'run the books' for the issue. This essentially involves arranging the whole issue, sending out invitation telexes, allotting Bonds/DRs etc. ii) Underwriters: The lead manager(s) and co-managers act as underwriters for the issue, taking on the risk of interest rate / markets moving against them before they have placed Bonds/DRs.

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62/335	SUBMITTED TEXT	73 WORDS	93% MATCHING TEXT	73 WORDS

Bonds. Lead manager(s) may also invite additional investment banks to act as sub-underwriters, thus, forming a larger underwriting group. A third group of investment banks may also be invited to join the issue as members of selling group. These institutions only receive a commission in respect of any DRs/Bonds sold and do not act as underwriters. The co-managers and the underwriters are also members of the selling group. (Refer Figure 12.3).

Bonds/DRs. Lead manager(s) may also invite additional investment banks to act as sub-underwriters, thus forming a larger underwriting group. a third group of investment banks may also be invited to join the issue as members of selling group, but these institutions only receive a commission in respect of any Bonds /DRs sold and do not act as underwriters. The co-managers and the underwriters are also members of the selling group. Figure 3

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63/335	SUBMITTED TEXT	73 WORDS	93% MATCHING TEXT	73 WORDS

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64/335	SUBMITTED TEXT	46 WORDS	62% MATCHING TEXT	46 WORDS
	Selling Group Lead Manager Co-Manager Underwriting Group Source: ICFAI Research Center iii. Agents and Trustees:		Selling Group Lead Manager Co-Manager Underwriting Group Selling Group iii) Agents and Trustees:	

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65/335	SUBMITTED TEXT	47 WORDS	71% MATCHING TEXT	47 WORDS
	are involved in the issue of convertibles/bonds. The issuer, in association with the lead manager, appoints 'paying agents' in different financial centers. The appointed person will arrange for the payment of interest and principal due to investors under the issue terms. These paying agents will be		are involved in the issue of bonds/ convertibles. The issuer of bonds/convertibles, in association with the lead manager, must appoint 'paying agents' in different financial centers, will arrange for the payment of interest and principal due to investors under the terms of the issue. These paying agents will be	

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66/335	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS
	banks. iv. Lawyers and Auditors: The lead manager will appoint a prominent firm of solicitors to draw up documentations evidencing		banks. and auditors: lead manager will appoint a prominent firm of solicitors to draw up documentation evidencing	

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67/335	SUBMITTED TEXT	79 WORDS	97% MATCHING TEXT	79 WORDS
	DRs/Bond. The draft documents will be scrutinized by lawyers acting for the issuer and in due course by the co-managers and any other party signing a document related to the issue. Many of these documents are prepared in standard forms, but each needs to be reviewed carefully to ensure that all parties to the transactions are fully satisfied with the wording. The issuer will also appoint legal advisors to seek advice on matters pertaining to Indian/ English/ American (		DRs issue. The various documents will be scrutinized by lawyers acting for the issuer and in due course by the co- managers and any other party signing a document related to the issue. Many of these documents are prepared in standard forms, but each needs to be reviewed carefully to ensure that all parties to the transactions are fully satisfied with the wording. The issuer will also appoint legal advisors to seek advice on matters pertaining to Indian/ English/American	

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68/335	SUBMITTED TEXT	79 WORDS	97% MATCHING TEXT	79 WORDS
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69/335	SUBMITTED TEXT 214 WORDS	97% MATCHING TEXT 214 WORDS
	law and to comment on necessary legal documentation. Auditors or reporting accountants will become involved as well, supplying financial information, summaries and an audit report which will be incorporated into the 'offering circular'. The auditors provide comfort letters to the lead manager on the financial health of the issuer. Further, they also provide a statement of difference between the UK and the Indian GAAP in case of GDR issue. v. Listing Agents and Stock Exchanges: The listing agent facilitates the documentation and listing process for listing on stock exchanges and keeps on file, information regarding the issuer such as annual reports, 'Articles of Association', the depository agreement, etc. The Stock Exchange (Luxembourg/London/AMEX/NYSE) as the case may be) reviews the issuer's application for listing of the Bonds/DRs and provides comments on offering circular prior to accepting the securities for listing. vi. Depository Bank: Depository bank is involved only in the issue of DRs. It is responsible for issuing the actual DRs, disseminating information from the issuer to the DR holders, paying any dividends or other distributions and facilitating the exchange of DRs into underlying shares when presented for redemption. vii. Custodian: The custodian holds the shares underlying DRs on behalf of the depository and is responsible for collecting Rupee dividends on the	law and to comment on necessary legal documentation. Auditors or reporting accountants will become involved as well, supplying financial information summaries and an audit report which will be incorporated into the 'offering circular'. The auditors provide comfort letters to the lead manager on the financial health of the issuer. Further, they also provide a statement of difference between the UK and the Indian GAAP in case of GDR issue. v) Listing Agents and Stock Exchanges: The listing agent facilitates the documentation and listing process for listing on stock and keeps on file information regarding the issuer such as Annual Reports, Articles of Association, the Depository Agreement, etc. The Stock Exchange (Luxembourg/London/AMEX/NYSE as the case may be) reviews the application for listing of the bonds/DRS and provides comments on offering circular prior to accepting the securities for listing. vi) Depository Bank: Depository Bank is involved only in the issue of DRs. It is responsible for issuing the actual DRs. disseminating information from the issuer to the DR holders, paying any dividends or other distributions and facilitating the exchange of DRs into underlying shares when presented for redemption. vi) Custodian: The custodian holds the shares underlying DRs on behalf of the Depository and is responsible for collecting rupee dividends on the

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70/335	SUBMITTED TEXT 40 WORDS	92% MATCHING TEXT 40 WORDS
	underlying shares and repatriation of the same to the depository in the US dollars/foreign currency. viii. Printers: The printers are responsible for printing and delivery of the preliminary and final offering circulars as well as the DRs/bond certificates. 12.6	underlying shares and repatriation of the same to the Depository in US dollars/foreign currency. vii) Printers: The printers are responsible for printing and delivery of the preliminary and final offering circulars as well as the DRs/Bond certificates.

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71/335	SUBMITTED TEXT 38 WORDS	100% MATCHING TEXT 38 WORDS
	competitive cost is a critical issue which confronts every management. In the past, Indian companies could access only the domestic capital market. Liberalization process has opened new avenues for Indian companies in terms of markets and instruments.	competitive cost is a critical issue which confronts every management. In the past, Indian companies could access only the domestic capital market. Liberalization process has opened new avenues for Indian companies in terms of markets and instruments.

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72/335	SUBMITTED TEXT 77 WORDS	92% MATCHING TEXT 77 WORDS
	Currency Requirements: A decision must be taken about the currency needs of the company, keeping in view the future expansion plans, capital imports, export earnings/potential export earnings. A conscious view on the exchange rate also needs to be taken. ii. Pricing: Pricing of an international issue would be a factor of interest rates and the value of the underlying stock in the domestic market. Upon these factors, the issue price conversion (for convertible) premium would be	Currency Requirements: A decision has to be taken about the currency needs of the company, keeping in view the future expansion plans, capital imports, export earnings/ potential export earnings. A conscious view on the exchange rate also needs to the taken. ii. Pricing: Pricing of an international issue would be a factor of interest rates and the value of the underlying stock in the domestic market. Based on these factors, the issue price conversion (for convertible) premium would be

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73/335	SUBMITTED TEXT 19 WORDS	91% MATCHING TEXT 19 WORDS
	It is possible to take advantage of the low interest rates that are existing in the international markets.	it is possible to take advantage of the low interest rates that are prevailing in the international markets.

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74/335	SUBMITTED TEXT 1 WORDS	100% MATCHING TEXT 1 WORDS
	world-s-biggest-pension- fund-won-t-buy-china-sovereign-debt-report-121092901516_1.	World's biggest pension fund won't buy China sovereign debt: Report •

W https://www.business-standard.com/article/international/world-s-biggest-pension-fund-won-t-buy-ch ...

75/335	SUBMITTED TEXT 12 WORDS	100% MATCHING TEXT 12 WORDS
	given the arbitrage available between interest rates in Rupees and say,	Given the arbitrage available between interest rates in rupees and say,

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76/335	SUBMITTED TEXT 100 WORDS	95% MATCHING TEXT 100 WORDS
	is possible without dilution of the value of the underlying stock. Because, in the case of international issues, open pricing/book building is possible. This has the advantage of allowing the company to maximize the proceeds, enabling the foreign investors to set the premium ensuring transparency and creating price tension. iii. Investment: At present, greater flexibility is available in structuring an international issue in terms of pure equity offering, a debt instrument or a hybrid instrument like Foreign Currency Convertible Bond (FCCB). Each company can take a view on instrument based upon the financials of the company and its plans.	is possible without dilution of the value of the underlying stock. This is so, because, in the case of international issues, open pricing/book building is possible, which has the advantage of allowing the company to maximize the proceeds, enabling the foreign investors to set the premium ensuring transparency and creating price tension. iii. Investment: AT present greater flexibility is available in structuring an international issue in terms of pure equity offering, a debt instrument or a hybrid instrument like Foreign Currency Convertible Bond (FCCB). Each company can take a view on instrument depending upon the financials of the company and its future plans.

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77/335	SUBMITTED TEXT	23 WORDS	97% MATCHING TEXT	23 WORDS

over 30 lakh shares at ₹ 234.05 apiece to the holders of foreign currency convertible bonds (FCCBs) worth USD 10 million.

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W https://www.moneycontrol.com/news/business/indiabulls-housing-finance-allots-over-30-lakh-shares- ...

78/335	SUBMITTED TEXT	23 WORDS	97% MATCHING TEXT	23 WORDS

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W https://economictimes.indiatimes.com/markets/stocks/news/indiabulls-housing-fin-allots-over-30-la ...

79/335	SUBMITTED TEXT	20 WORDS	77% MATCHING TEXT	20 WORDS

allotment, the paid-up equity share capital of the company increased to₹ 93,71,43,008 comprising of 46,85,71,504 fully paid equity shares.

allotment, the paid-up equity share capital of the company stands increased to Rs 93,71,43,008 divided into 46,85,71,504 fully paid equity shares,"

W https://economictimes.indiatimes.com/markets/stocks/news/indiabulls-housing-fin-allots-over-30-la ...

80/335	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS

indiabulls-housing-finance-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders-8245681.

Indiabulls Housing Finance allots over 30 lakh shares at Rs 234.05 apiece to FCCB holders

W https://www.moneycontrol.com/news/business/indiabulls-housing-finance-allots-over-30-lakh-shares- ...

81/335	SUBMITTED TEXT	1 WORDS	88% MATCHING TEXT	1 WORDS

indiabulls-housing-finance-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders-8245681.

Indiabulls Housing Fin allots over 30 lakh shares at Rs 234.05 apiece to FCCB holders -

W https://economictimes.indiatimes.com/markets/stocks/news/indiabulls-housing-fin-allots-over-30-la ...

82/335	SUBMITTED TEXT	1 WORDS	88% MATCHING TEXT	1 WORDS

indiabulls-housing-fin-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders/

Indiabulls Housing Finance allots over 30 lakh shares at Rs 234.05 apiece to FCCB holders

W https://www.moneycontrol.com/news/business/indiabulls-housing-finance-allots-over-30-lakh-shares- ...

83/335	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS

markets/stocks/news/indiabulls-housing-fin-allots- over-30-lakh-shares-at-rs-234-05-apiece-to-fccb-holders/

Markets›Stocks›News›Indiabulls Housing Fin allots over 30 lakh shares at Rs 234.05 apiece to FCCB holders

W https://economictimes.indiatimes.com/markets/stocks/news/indiabulls-housing-fin-allots-over-30-la ...

84/335	SUBMITTED TEXT	110 WORDS	81% MATCHING TEXT	110 WORDS

iv. Depth of the Market: Relatively larger issues can be floated, marketed and absorbed in international markets more easily than in the domestic markets. v. International Positioning: Planning for an international offering must be a part of the long-term perspective of a company. An international issue positions the issuing company, for a much higher visibility and an international exposure. Also, it opens new avenues for further fund-raising activities. vi. Regulatory Aspects: For an international issue, approvals are needed from the Indian Government and Reserve Bank of India (RBI – the Apex Bank of India). For a domestic issue, the requirements to be satisfied are those of the Securities and

iv. Depth of the Market: Relatively larger issues can be floated, marketed and absorbed in international markets more easily than in the domestic markets. v. International Positioning: Planning for an international offering has to be a part of the long-term perspective of a company. An international issue positions the issuing company, for a much higher visibility and an international exposure. Besides, it opens up new avenues for further fund-raising activities. vi. Regulatory Aspects: For an international issue, approvals are required from the government of India and the Reserve Bank of India, whereas for a domestic issue the requirements to be satisfied are those of the SEBI and

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85/335	SUBMITTED TEXT	110 WORDS	81% MATCHING TEXT	110 WORDS

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W https://dde.pondiuni.edu.in/files/StudyMaterials/MBA/MBA4Semester/IB/1GlobalFinancialMarkets&Inst ...

86/335	SUBMITTED TEXT	89 WORDS	93% MATCHING TEXT	89 WORDS

and the stock exchanges. vii. Disclosure Requirements: The disclosure requirements for an international issue are more stringent as compared with a domestic issue. The requirements, however, varies upon the market addressed and the place where listing is sought. viii. Investment Climate: The international offering would be affected by factors like the international liquidity and the country risk, which will not have an effect in a domestic issue. With the current country rating, companies must depend upon the strength of their balance sheets to raise funds at competitive rates

and the stock exchanges. 165 vii. Disclosure Requirements: The disclosure requirements for an international issue are more stringent as compared with a domestic issue. The requirements would, however, differ upon the market addressed and the place where listing is sought. viii. Investment Climate: The international offering would be affected by factors like the international liquidity and the country risk, which will not have an effect in a domestic issue. With the current country rating, companies have to depend on the strength of their balance sheets to raise funds at competitive rates

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87/335	SUBMITTED TEXT	20 WORDS	77% MATCHING TEXT	20 WORDS

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W https://www.moneycontrol.com/news/business/indiabulls-housing-finance-allots-over-30-lakh-shares- ...

88/335	SUBMITTED TEXT 68 WORDS	95% MATCHING TEXT 68 WORDS
	Global Depository Receipts (GDRs) The advent of GDRs in India has been mainly due to the 'Balance of Payments' crisis in the early '90s. At that time India did not have enough foreign exchange balance even to meet the requirements of a fortnight's imports. International institutions were not willing to lend because of non-investment credit rating of India. Out of compulsions, rather than by choice, the Government	Global Depository Receipts The advent of GDRs in India has been mainly due to the balance of payments crisis in the early '90s. At this time India did not have enough foreign exchange balance even to meet the requirements of a fortnight's imports. International institutions were not willing to lend because of non-investment credit rating of India. Out of compulsions, rather than by choice, the government (

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89/335	SUBMITTED TEXT 32 WORDS	93% MATCHING TEXT 32 WORDS
	accepting the World Bank suggestions on tiding over the financial predicament) gave permission to allow fundamentally strong private corporates to raise funds in international capital markets through equity or equity-related instruments.	accepting the World Bank suggestions on tiding over the financial predicament) gave the permission to allow fundamentally strong private corporate to raise funds in international capital markets through equity or equity-related instruments.

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90/335	SUBMITTED TEXT 52 WORDS	73% MATCHING TEXT 52 WORDS
	Prior to this, the companies in need of foreign exchange resources or component for their projects had to rely on the Indian Government or otherwise depend partly on financial institutions and partly on the government. These foreign currency loans utilized by the companies (whether through the financial institutions or through	Prior to this, the companies in need of the foreign exchange component or resources for their projects had to rely on the government of India or otherwise rely partly on the government and partly on the financial institutions. These foreign currency loans utilized by the companies (whether through the financial institutions or through

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91/335	SUBMITTED TEXT 66 WORDS	97% MATCHING TEXT 66 WORDS
	government agency) were paid from the government allocation from the IMF, World Bank or other governments' credits. This, in turn, created liability for the remittance of interest and principal, in foreign currencies which was to be met by way of earnings through exports and other grants received by the government. However, with a rapid deterioration in the foreign exchange reserves consequent to 3	government agency) were paid from the government allocation from the IMF, World Bank or other Government credits. This, in turn created liability for the remittance of interest and principal, in foreign currencies which was to be met by way of earnings through exports and other grants received by the government. However, with a rapid deterioration in the foreign exchange reserves consequent to

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92/335	SUBMITTED TEXT 26 WORDS	100% MATCHING TEXT 26 WORDS
	Gulf War' and its subsequent oil crisis, the companies were asked to get their own foreign currencies which led to the advent of the GDRs.	Gulf War and its subsequent oil crisis, the companies were asked to get their own foreign currencies which led to the advent of the GDRs.

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93/335	SUBMITTED TEXT	72 WORDS	100%	MATCHING TEXT	72 WORDS

GDRs are essentially those instruments which possess a certain number of underlying shares in the custodial domestic bank of the 3

GDRs are essentially those instruments which possess a certain number of underlying shares in the custodial domestic bank of the

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94/335	SUBMITTED TEXT	64 WORDS	95%	MATCHING TEXT	64 WORDS

company. That is, a GDR is a negotiable instrument which represents publicly traded local-currency-equity share. By law, a GDR is any instrument in the form of a 'Depository Receipt' or certificate created by the overseas depository bank outside India and issued to non-resident investors against the issue of ordinary shares or FCCBs of the issuing company. Usually, a typical GDR is denominated in

company. That is, a GDR is a negotiable instrument which represents publicly traded local-currency-equity share. By 166 law, a GDR any instrument in the form of a depository receipt or certificate created by the Overseas Depository Bank outside India and issued to non-resident investors against the issue of ordinary shares foreign currency bonds of the issuing company. Usually, a typical GDR is denominated in

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95/335	SUBMITTED TEXT	501 WORDS	98% MATCHING TEXT	501 WORDS

Issuance of GDR The following are the sequence of activities that take place during the issuance of GDRs: a. Shareholder Approval Needed: The issuance of an equity instrument like the GDR needs the mandate of the shareholders of the company issuing it. The terms of the issue will have to be decided before such a mandate is sought from the shareholders. There should be an authorization from the board of directors for floating a Euro-issue and for calling a general meeting for the purpose. A committee of directors is generally constituted and conferred with necessary powers for the approval of (i) the offering memorandum; (ii) fixation of issue price; (iii) opening of bank account outside India and operation of the said account; and (iv) for notifying the stock exchange about the date of the board meeting when the proposal will be considered and also inform it about the decisions taken. After all this, the shareholders should approve the issue by a special resolution passed at a general meeting. It stipulates that, if a company proposes any issue of capital after two years from the formation of the company or at any time after one year from the allotment of shares that the company has made for the first time after its formation – whichever is earlier – the company has to offer such issues first to the shareholders of the company. b. Appointment of Lead Manager: Lead manager is an important cog in the wheel of the Euro-issue and is the vital link between the government and investors with the issuers. Practically, it is the lead manager who is responsible for the eventual success or failure of a Euro-issue when all the other factors are same. Hence, the choice of a suitable lead manager is as significant as any other issue activity. An ideal lead manager is selected after preliminary meetings with merchant bankers. The merchant bankers are evaluated on various parameters such as (i) marketing ability; (ii) marketing research capability; (iii) market making capability; (iv) track record (v) competitive fee structure; and (vi) placement skills. A beauty parade, which is basically the presentations made by the various merchant bankers, is held by the company to help it decide on the final choice of the lead manager after they are filtered by the above parameters. The final appointment of lead manager is done after the government's approval. The lead manager advises the company in the following areas after taking into consideration the needs of the company: the industry in which the company is engaged, the international monetary and securities markets, the general economic conditions and the terms of the issue viz., quantum of issue, type of security needed to be issued (GDR in this case), stages of conversion, price of equity, shares on conversion, rate of interest, redemption date, etc.

Issuance of GDR The following are the sequence of activities that take place during the issuance of GDRs: a. Shareholder Approval Needed: The issuance of an equity instrument like the GDR needs the mandate of the shareholders of the company issuing it. The terms of the issue will have to be decided before such a mandate is sought from the shareholders. There should be an authorization from the Board of Directors for floating a Euro-issue and for calling a general meeting for the purpose. A committee of directors is generally constituted and conferred with necessary powers for the approval of (i) the offering memorandum; (ii) Fixation of issue price (iii) opening of bank account outside India and operation of the said account and (iv) for notifying the stock exchange about the date of the board meeting when the proposal will be considered and also inform it about the decisions taken. After all this, the shareholders should approve the issue by a special resolution passed at a general meeting as per Section 81 of the Companies Act, 1956. It stipulates that, if a company proposes any issue of capital after two years from the formation of the company or at any time after one year from the allotment of shares that the company has made for the first time after its formation – whichever is earlier – the company has to offer such issues first to the shareholders of the company. b. Appointment of Lead Manager: Lead Manager is an important cog in the wheel of the Euro-issue and is the vital link between the government and investors with the issuers. 167 Practically, it is the lead manager who is responsible for the eventual success or failure of a Euro-issue when all the other factors are same. Hence, the choice of a suitable lead manager is as significant as any other issue activity. An ideal lead manager is selected after preliminary meetings with merchant bankers. The merchant bankers are evaluated on various parameters such as (i) Marketing ability (ii) Marketing research capability (iii) Market making capability (iv) Track record (v) Competitive fee structure and (vi) Placement skills. A beauty parade, which is basically the presentations made by the various merchant bankers, is held by the company to help it decide on the final choice of the lead manager after they are filtered by the above parameters. The final appointment of lead manager is done after the approval by the government. The lead manager advises the company in the following areas after taking into consideration the needs of the company, the industry in which the company is engaged, the international monetary and securities markets, the general economic conditions and the terms of the issue viz., quantum of issue, type of security needed to be issued (GDR in this case), stages of conversion, price of equity, shares on conversion, rate of interest, redemption date etc.

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96/335	SUBMITTED TEXT	24 WORDS	56% MATCHING TEXT	24 WORDS

issue of Foreign Currency Convertible Bonds and Ordinary Shares and guidelines issued by the Government of India thereunder from time to time. 12.7.1

Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993 (FCCB & ADR/GDR Scheme) and the guidelines issued by the Ministry of Finance (MoF) from time to time

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97/335	SUBMITTED TEXT	62 WORDS	91% MATCHING TEXT	62 WORDS

c. Finalization of Issue Structure: On completion of the formalities of issue structure in consultation with the lead manager, the company should obtain the final approval from the government. For this purpose, the company should furnish information about the entities involved in the GDR issue and the following parameters to the government. i. Lead manager xii. Indian custodian ii. Co-lead manager

c. Finalization of Issue Structure: On completion of the formalities of issue structure in consultation with the lead manager, the company should obtain the final approval from the government. For this purpose, the company should furnish the information about the entities involved in the GDR issue and the following parameters to the government. i. Lead Manager ii. Co-Lead Manager

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98/335	SUBMITTED TEXT	13 WORDS	87% MATCHING TEXT	13 WORDS

xiii. Issue structure and denomination of underlying shares represented by the GDRs

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99/335	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS

xx. Legal expenses, printing expenses, depository fees, and other out-of-pocket expenses

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100/335	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS

xx. Legal expenses, printing expenses, depository fees, and other out-of-pocket expenses

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101/335	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS

The government, after considering all the above information will give a final approval for the issue – if satisfied.

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102/335	SUBMITTED TEXT	58 WORDS	100% MATCHING TEXT	58 WORDS

Documentation Documentation for Euro equities is a complex and elaborate process in the procedure of GDR launch. A typical Euro-issue consists of the following main documents: a. Prospectus b. Depository agreement c. Custodian agreement d. Subscription agreement e. Paying and conversion agency agreement f. Trust deed g. Underwriting agreement and h. Listing agreement

Documentation Documentation for Euro equities is a complex and elaborate process in the procedure of GDR launch. A typical Euro-issue consists of the following main documents: a. Prospectus b. Depository agreement c. Custodian agreement d. Subscription agreement e. Paying and conversion agency agreement f. Trust deed g. Underwriting agreement and h. Listing agreement. 169

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103/335	SUBMITTED TEXT 157 WORDS	100% MATCHING TEXT 157 WORDS

A brief discussion on the contents and the relevance of each of these documents is given below: a. Prospectus: As in domestic equity market, the 'Prospectus' is a major document containing all the relevant information concerning the issues – like the investment considerations, terms and conditions, use of proceeds, capitalization details, share information, industry review and overall description of the issuing company. As a marketing strategy, companies generally issue a preliminary prospectus which is referred to as pathfinder which will judge the potential demand for the equity that is being launched in the markets. The aspects that need to be covered in the main prospectus may be grouped as follows: i. Financial Matters: Apart from the financials of the company, the prospectus should include a statement setting out important accounting policies of the company and a summary of significant differences between Indian GAAP and the UK GAAP and the US GAAP (in case of an ADR). (

A brief discussion on the contents and the relevance of each of these documents is given below: a. Prospectus: As in domestic equity market, the prospectus is a major document containing all the relevant information concerning the issues – like the investment considerations, terms and conditions, use of proceeds, capitalization details, share information, industry review and overall description of the issuing company. As a marketing strategy, companies generally issue a preliminary prospectus which is referred to as pathfinder which will judge the potential demand for the equity that is being launched in the markets. The aspects that need to be covered in the main prospectus may be grouped as follows i. Financial Matters: Apart from the financials of the company, the prospectus should include a statement setting out important accounting policies of the company and a summary of significant differences between Indian GAAP and the UK GAAP and the US GAAP (in case of an ADR).

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104/335	SUBMITTED TEXT 141 WORDS	99% MATCHING TEXT 141 WORDS

ii. Non-financial Matters: This may cover all aspects of management like the information relating to their background, names of nominee directors along with the names of the financial institutions which they represent, and the names of senior management team. All other non-financial aspects that influence the working of the company need to be mentioned in the prospectus. iii. Issue Particulars: The issue size, the ruling domestic price, the number of underlying shares for each GDR and other information relevant for the issue as such, may be mentioned here. iv. Other Information: Statement regarding application to a foreign stock exchange for listing the securities and issuing of global certificates to a specified nominee as operator of the 'Euro-Clear' (international clearing house in Euro-securities) system like 'Cedel' (one of the major clearing houses in Eurobond market clearing, handling and storing the securities

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105/335	SUBMITTED TEXT 73 WORDS	97% MATCHING TEXT 73 WORDS

Option provided to the lead manager to cover over-allotments, exercisable on or before the business day prior to the closing date to subscribe for additional securities in the aggregate up to a specified limit. b. Depository Agreement: This is the agreement between the issuing company and the overseas depository providing a set of rules for withdrawal of deposits and for their conversion into shares. Voting rights of a depository are also

Option provided to the lead manager to cover over-allotments, exercisable on or before the business day prior to the closing date of subscribe for additional securities in the aggregate up to a specified limit. b. Depository Agreement: This is the agreement between the issuing company and the overseas depository providing a set of rules for withdrawal of deposits and for their conversion into shares. Voting rights of a depository are also

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106/335	SUBMITTED TEXT	328 WORDS	98% MATCHING TEXT	328 WORDS

Usually, GDRs or Euro convertible bonds are admitted to the clearing system, and settlements are made only by book entries. The agreement lays down the procedure for the information transmission to be passed onto the GDR holders. c. Underwriting Agreement: As in domestic equity market, underwriters play the role of 'assurers' for picking the GDRs at a predetermined price depending on the market response. The agreement is for this purpose, between the company (guided by its lead manager) and the underwriter. d. Subscription Agreement: The lead manager and the syndicated members form a part of the investors who subscribe to GDRs or Euro convertible bonds as per this agreement. There is no binding, however, on the secondary market transaction on these entities i.e. market making facility. e. Custodian Agreement: It is an agreement between the depository and the custodian. In this agreement the depository and the custodian determine the process of conversion of underlying shares into 'Depository Receipts' (DRs) and vice versa. For the process of conversion of the GDRs into shares, (popularly termed as re-materialization) shares must be released by the custodian. f. Trust Deed and Paying and Conversion Agreement: While the trust deed is a standard document which provides for duties and responsibilities of trustees, the paying and conversion agreement enables the paying and conversion agency which performs a typical banking function by undertaking to service the bonds until the conversion, and arranging for conversion of bonds into GDRs or shares, as necessary. g. Listing Agreement: As far as the listing is concerned, most of the companies which issue a GDR prefer Luxembourg stock exchange, as the listing requirements in this exchange are by far, the simplest. The New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE) have the most stringent listing requirements. London Stock Exchange and the Singapore Stock Exchange fit in the middle with relatively fewer listing requirements than the NYSE and TSE. The listing agents have the onus of fulfilling

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107/335	SUBMITTED TEXT	417 WORDS	93% MATCHING TEXT	417 WORDS

SUBMITTED TEXT

listing requirements of a chosen stock exchange. The requirements of London Stock Exchange are provided in the 48-hour documents. The 48-hour documents are the final documents that must be lodged at the exchange not later than mid-day, at least two business days prior to the consideration of the application for admission to listing. These documents, among other things should include the following: ? An application for admission to listing ? Declaration of compliance in the appropriate form issued by the exchange. Block 4: International Financial Management 22 ? Three copies of the listing particulars/equivalent offering document relating to the issue. The contents of these documents should meet the relevant requirements. ? A copy of any shareholders' resolution that is relevant to the issue of such securities. ? A copy of the board resolution authorizing the issue, the application for listing and the publication of the relevant documents. ? In case of a new company, a copy of the incorporation certificate, memorandum of association and articles of association. The Launch Two of the major approaches for launching of a Euro-issue are 'Euro-Equity Syndication' and 'Segmented Syndication'. 'Euro-Equity syndication' attempts to group together the placement strengths of the intermediaries, without any formal regional allocations. Segmented syndication, on the other hand, seeks to form a geographically targeted syndicate structure, to achieve broader distribution of paper by approaching both institutional and retail investors. As compared to Euro syndication, segmented syndication can be expected to achieve orderly and coordinated placement by restricting the choice of syndicate members with definite strengths in specific markets. Marketing It is not only the Indian issues which thrive on suave marketing, but also the GDR and other International bond offerings. A judicious mix of financials and marketing would help in raising the investor's interest in the issue. Most of the marketing activities are handled by the lead manager in consonance with the advertising agencies. A back-up material consisting of preliminary offering circular, recent annual report, interim financial statements, copies of newspaper articles about the business of the company and a review of the structure and performance of the Indian stock market, among other things is prepared. Roadshows form a pre-dominant facet of the launch of any GDR. They are a series of face-to-face presentations with fund managers and analysts and is a vital part of marketing process. Roadshows, which involve much more than just informing about the company, are getting increasing attention from the investors and the fund managers. Roadshows for Euro equities acquire considerable

MATCHING TEXT

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108/335	SUBMITTED TEXT	61 WORDS	81% MATCHING TEXT	61 WORDS

greater degree of risk than under any other financial instrument. Roadshows are backed by information about the financials and operations with a view regarding the future profitability and growth prospects. This gives an opportunity to the investors (generally, fund managers) to interact with the senior management of the issuing company and understand the activities of the issuer company which

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110/335	SUBMITTED TEXT	121 WORDS	95% MATCHING TEXT	121 WORDS

may eventually lead to investment in the company. These are normally conducted at global financial centers like London, New York, Boston, Los Angeles, Paris, Edinburgh, Geneva, Hong Kong, etc. The back-up material prepared will support presentations made by the company's senior personnel inviting the fund managers to invest in the company. The price that is preferred for a number of shares is noted by the book-runner at each of such presentations and the eventual price that is most likely to find favor with the fund manager is finalized. This will go a long way in making the issue to be accepted. Pricing and Closing This forms the most vital part of the whole process of a GDR issue. Pricing is

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111/335	SUBMITTED TEXT	121 WORDS	95% MATCHING TEXT	121 WORDS

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112/335	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS

key to the overall performance of a GDR after the same has been listed. The price

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113/335	SUBMITTED TEXT	109 WORDS	97% MATCHING TEXT	109 WORDS

The final price is determined after the 'Book Runner' closes the books after the completion of the Roadshows. The book-runner keeps the books open for 1-2 weeks, for the potential investors to start placing their orders/bids with details of price and quantity. After analyzing all the bids at the end of book-building period, lead managers, in consultation with the issuer, will fix a price for the issue which will be communicated back to the bidders/investors and a fresh demand figure is arrived at. If there is excess demand, the company can go in for 'green shoe option' where it can issue additional GDRs in excess of target amount.

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114/335	SUBMITTED TEXT	51 WORDS	100% MATCHING TEXT	51 WORDS

A tombstone advertisement will be issued in the financial press to publicize syndicated loans and other funding deals. Following this, the GDRs will get listed in the notified stock exchange signaling the consummation of the process of the issue of stock exchange. The time period that is generally needed for

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115/335	SUBMITTED TEXT	22 WORDS	72% MATCHING TEXT	22 WORDS

typical GDR issue is given below. It is arranged sequentially to convey information on the step-by-step process that is followed.

typical GDR issue is given in the following table. The table is arranged sequentially so as to convey information on the step-by-step process that is followed.

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116/335	SUBMITTED TEXT	22 WORDS	72% MATCHING TEXT	22 WORDS

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117/335	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS

Costs The cost incurred by the company is proportional to the issue size

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118/335	SUBMITTED TEXT 44 WORDS	100% MATCHING TEXT 44 WORDS
	the lead manager, justifiably, takes the lion's share in the issue expenses of the GDR. With the increased acceptance of marketing as a vital tool for the success of the issue, the cost that is incurred on marketing is fast increasing. The	The lead manager, justifiably, takes the lion's share in the issue expenses of the GDR. With the increased acceptance of marketing as a vital tool for the success of the issue, the cost that is incurred on marketing is fast increasing. The

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119/335	SUBMITTED TEXT 97 WORDS	93% MATCHING TEXT 97 WORDS
	Other expenses include lead manager's expenses, accounting fees, listing fees, printing costs, Roadshow expenses, etc. There has, however, been a considerable fall in the quality of the GDR issues made by Indian companies. The sole reason why some of the Indian companies came out with a Euro-issue was their eagerness to flaunt the GDR issue as a symbol of being well known in the international markets. Some of the companies coming out with GDRs could not explain the core business they are in and whether they have judiciously utilized the investment made by the GDR holders.	Other expenses include lead manager's expenses, printing costs, accounting fees, listing fees, road show expenses, etc. There has, however, been a considerable fall in the quality of the GDR issues made by the Indian companies. The sole reason why some of the Indian companies came out with a Euro-issue was their eagerness to flaunt the GDR issue as a symbol of being well known in the international markets. Some of the companies coming out with GDRs could not explain the core business they are in and also whether they have judiciously utilized the investment made by the GDR holders.

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120/335	SUBMITTED TEXT 39 WORDS	89% MATCHING TEXT 39 WORDS
	IDRs) to access both the markets. The weakness was that no cross- border trading was possible as ADRs had to be traded, settled and cleared through the Depository Trust Company (DTC) in the US, while the IDRs could be	IDRs) to access both the markets. The weakness was that there was no cross-border trading possible as ADRs had to be traded, settled and cleared through the Depository Trust Company (DTC) in the Us, while the IDRs could be

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121/335	SUBMITTED TEXT 17 WORDS	100% MATCHING TEXT 17 WORDS
	is designed to facilitate certain investment bodies called Qualified Institutional Buyers (QIBs) to invest in overseas (	is designed to facilitate certain investment bodies called Qualified Institutional Buyers (QIBs) to invest in overseas (

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122/335	SUBMITTED TEXT 14 WORDS	100% MATCHING TEXT 14 WORDS
	non-US) companies without those companies needing to go through the SEC registration process.	non-US) companies without those companies needing to go through the SEC registration process.

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123/335	SUBMITTED TEXT 11 WORDS	100% MATCHING TEXT 11 WORDS
	non-US companies wishing to have their stock traded in the	non-US companies wishing to have their stock traded in the

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124/335	SUBMITTED TEXT 27 WORDS	88% MATCHING TEXT 27 WORDS
	SEC) and the issuer need not comply with the US GAAP (Generally Accepted Accounting Principles). This kind of instrument is traded in the US OTC (Over-The	SEC and the issuer need not comply with the US GAAP (Generally, Accepted Accounting Principles) This type of instrument is traded in the US OTC market. The

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125/335	SUBMITTED TEXT 64 WORDS	92% MATCHING TEXT 64 WORDS
	market. The issuer is not allowed to raise fresh capital or list on any one of the national stock exchanges. ii. ADR Level-II: Through this level of ADR, the company can enlarge the investor base for existing shares to a greater extent. However, significant disclosures must be made to the SEC. The company can list in the American Stock Exchange (AMEX) or	market. The issuer is not allowed to raise fresh capital or list on any one of the national stock exchanges. ii. ADR Level-II: Through this level of ADR the company can enlarge the investor base for existing shares to a greater extent. However, significant disclosures have to be made to the SEC. The company is to list in the American Stock Exchange (AMEX) or

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126/335	SUBMITTED TEXT 74 WORDS	94% MATCHING TEXT 74 WORDS
	New York Stock Exchange (NYSE) which implies that the company must meet the listing requirements of the particular exchange. iii. ADR Level-III: This level of ADR is used for raising fresh capital through public offering in the US capital markets. The company must be registered with the SEC and comply with the listing requirements of AMEX/NYSE while following the US-GAAP. The reason may be attributed to the stiff disclosure requirements and accounting standards	New York Stock Exchange (BYSE) which implies that the company must meet the listing requirements of the particular exchange. iii. ADR Level-III: This level of ADR is used for raising fresh capital through public offering in the US Capital Markets. The company has to be registered with the SEC and comply with the listing requirements of AMEX/NYSE while following the US- GAAP. The for this may be attributed to the stiff disclosure requirements and accounting standards

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127/335	SUBMITTED TEXT 74 WORDS	94% MATCHING TEXT 74 WORDS
	New York Stock Exchange (NYSE) which implies that the company must meet the listing requirements of the particular exchange. iii. ADR Level-III: This level of ADR is used for raising fresh capital through public offering in the US capital markets. The company must be registered with the SEC and comply with the listing requirements of AMEX/NYSE while following the US-GAAP. The reason may be attributed to the stiff disclosure requirements and accounting standards	New York Stock Exchange (BYSE) which implies that the company must meet the listing requirements of the particular exchange. iii. ADR Level-III: This level of ADR is used for raising fresh capital through public offering in the US Capital Markets. The company has to be registered with the SEC and comply with the listing requirements of AMEX/NYSE while following the US- GAAP. The for this may be attributed to the stiff disclosure requirements and accounting standards

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128/335	SUBMITTED TEXT 35 WORDS	60% MATCHING TEXT 35 WORDS
	Intermediaries that are involved in an American Depository Receipt (ADR) issue performs the same work as in the case of a Global Depository Receipt (GDR) issue. Additionally, the intermediaries involved will liaison with the	Intermediaries that are involved in an ADR issue perform the same work as in the case of a GDR issue. Additionally, the intermediaries involved will liaison with the

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129/335	SUBMITTED TEXT	19 WORDS	97% MATCHING TEXT	19 WORDS

Regulatory Framework At the outset, it should be clear that the regulatory framework for ADRs is provided by

Regulatory Framework At the outset, it should be clear that the regulatory framework for the ADRs is provided by

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130/335	SUBMITTED TEXT	41 WORDS	87% MATCHING TEXT	41 WORDS

Securities and Exchange Commission (SEC) which operates through two main statutes, the Securities Act of 1933, and the Securities Exchange Act of 1934 in USA. The Securities Exchange Act provides for the disclosure and its periodic updating. 4

Securities and Exchange Commission which operates through two main statutes, the Securities Act of 1933, and the Securities Exchange Act of 1934. The Securities Exchange Act provides for the disclosure and its periodic updating.

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131/335	SUBMITTED TEXT	130 WORDS	100% MATCHING TEXT	130 WORDS

ADRs are always registered with the SEC on a Form F-6 registration statement. Disclosure under Form F-6 relates only to the contractual terms of deposit under the deposit agreement and includes copies of the agreement, a form of ADR certificate, and legal opinions. A Form F-6 contains no information about the non- U.S. company. If a foreign company with ADRs wishes to raise capital in the United States, it would separately file a registration statement on Form F-1, F-3, 4

ADRs are always registered with the SEC on a Form F-6 registration statement. Disclosure under Form F-6 relates only to the contractual terms of deposit under the deposit agreement and includes copies of the agreement, a form of ADR certificate, and legal opinions. A Form F-6 contains no information about the non-U.S. company. If a foreign company with ADRs wishes to raise capital in the United States, it would separately file a registration statement on Form F-1, F-3,

W https://www.sec.gov/investor/alerts/adr-bulletin.pdf

132/335	SUBMITTED TEXT	54 WORDS	100% MATCHING TEXT	54 WORDS

or F-4. If a foreign private issuer seeks to list ADRs on a U.S. stock exchange, it would separately file with the SEC a registration statement on Form 20-F. Registration statements used to raise capital or list ADRs on an exchange are required to contain extensive financial and non-financial information about the issuer.

or F-4. If a foreign private issuer seeks to list ADRs on a U.S. stock exchange, it would separately file with the SEC a registration statement on Form 20-F. Registration statements used to raise capital or list ADRs on an exchange are required to contain extensive financial and non-financial information about the issuer.

W https://www.sec.gov/investor/alerts/adr-bulletin.pdf

133/335	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS

ADRs are receipts issued by a depository bank that are backed by a specified number of foreign securities.

ADRs are receipts issued by a depository bank that are backed by a specified number of foreign securities.

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134/335	SUBMITTED TEXT	41 WORDS	54%	MATCHING TEXT	41 WORDS

SUBMITTED TEXT: Improved export performance b. Overbearing to healthy economic indicators c. Improved forex reserves position d. Improved confidence of the FPIs in the economy e. Decline in rate of return on investments in developed markets 2.

MATCHING TEXT: Improved export performance ➢ ➢ Modest to healthy economic indicators ➢ ➢ Inflation contained to single digit ➢ ➢ Improved Forex reserves position ➢ ➢ Improve performance of Indian companies ➢ ➢ Improved confidence of the FIIs in the economy ➢ ➢ Lack of investment opportunities worldwide and ➢ ➢ Decline in rate of return on investments in developed markets. 157

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135/335	SUBMITTED TEXT	222 WORDS	97%	MATCHING TEXT	222 WORDS

SUBMITTED TEXT: The process of lending money by investing in bonds originated during the 19th century when merchant bankers began their operations in international financial markets. Issuance of Eurobonds became easier with no exchange controls and no government restrictions on the transfer of funds in international markets. Slowly, the US Dollar came to be accepted as an international currency and New York joined the family of money centers of the world. The first Eurobond was made for US$ 15 million only for the Italian motorway company – Autostrada, and the total Eurobond volume in the year of 1963 was US$ 150 million. World Bank entered international markets in a big way to raise finance by issuing bonds. Instruments All Eurobonds through their features can appeal to any class of issuer or investor. Characteristics which make them unique and flexible are: a. No withholding of taxes of any kind on interest payments. b. A fundamental requirement is that the bonds are in bearer form with interest coupon attached. c. The bonds are listed on one or more stock exchanges, but issues are generally traded in the 'Over-the-Counter' market. Typically, a Eurobond is issued outside the country of the currency in which it is denominated. It is like any other Euro instrument and through international syndication and underwriting; the paper is sold without any

MATCHING TEXT: The process of lending money by investing in bonds originated during the 19th century when the merchant bankers began their operations in the international markets~ Issuance of Eurobonds became easier with no exchange controls and no government restrictions on the transfer of funds in international markets. Slowly, the US dollar came to be accepted as an international currency and New York joined the family of money centers of the world. The first Eurobond was made for US$ 15 million only for the Italian motorway company - Autostrada, and the total Eurobond volume in the year of 1963 was US$ 150 million. World Bank entered international markets in a big way to raise finance by issuing bonds. INSTRUMENTS All Eurobonds, through their features can appeal to any class of issuer or investor. The characteristics which make them unique and flexible are, a.No withholding of taxes of any kind on interests payments. b. A fundamental requirement is that the bonds are in bearer form with interest coupon attached, c. The bonds are listed on one or more stock exchanges but issues are generally traded in the over-the-counter market. Typically, a Eurobond is issued outside the country of the currency in which it IS denominated. It is like any other Euro instrument and through intemationa: syndication and underwriting, the paper is sold without any

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136/335	SUBMITTED TEXT	222 WORDS	97% MATCHING TEXT	222 WORDS

The process of lending money by investing in bonds originated during the 19th century when merchant bankers began their operations in international financial markets. Issuance of Eurobonds became easier with no exchange controls and no government restrictions on the transfer of funds in international markets. Slowly, the US Dollar came to be accepted as an international currency and New York joined the family of money centers of the world. The first Eurobond was made for US$ 15 million only for the Italian motorway company – Autostrada, and the total Eurobond volume in the year of 1963 was US$ 150 million. World Bank entered international markets in a big way to raise finance by issuing bonds. Instruments All Eurobonds through their features can appeal to any class of issuer or investor. Characteristics which make them unique and flexible are: a. No withholding of taxes of any kind on interest payments. b. A fundamental requirement is that the bonds are in bearer form with interest coupon attached. c. The bonds are listed on one or more stock exchanges, but issues are generally traded in the 'Over-the-Counter' market. Typically, a Eurobond is issued outside the country of the currency in which it is denominated. It is like any other Euro instrument and through international syndication and underwriting; the paper is sold without any

The process of lending money by investing in bonds originated during the 19th century when the merchant bankers began their operations in the international markets~ Issuance of Eurobonds became easier with no exchange controls and no government restrictions on the transfer of funds in international markets. Slowly, the US dollar came to be accepted as an international currency and New York joined the family of money centers of the world. The first Eurobond was made for US$ 15 million only for the Italian motorway company - Autostrada, and the total Eurobond volume in the year of 1963 was US$ 150 million. World Bank entered international markets in a big way to raise finance by issuing bonds. INSTRUMENTS All Eurobonds, through their features can appeal to any class of issuer or investor. The characteristics which make them unique and flexible are, a.No withholding of taxes of any kind on interests payments. b. A fundamental requirement is that the bonds are in bearer form with interest coupon attached, c. The bonds are listed on one or more stock exchanges but issues are generally traded in the over-the-counter market. Typically, a Eurobond is issued outside the country of the currency in which it IS denominated. It is like any other Euro instrument and through intemationa: syndication and underwriting, the paper is sold without any

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137/335	SUBMITTED TEXT	92 WORDS	96% MATCHING TEXT	92 WORDS

Eurobonds are generally listed on world's stock exchanges, normally on the Luxembourg stock exchange. There were various innovations in the structuring of bond issues during the '80s. These structures used swap technique to switch from one currency to another, or to acquire multi-currency positions. Another variation was in the form of equity- related bonds as convertibles or bonds with equity warrants. Zero-coupon bonds were issued capitalizing on the tax treatment. Bond issue structures can be classified into two broad categories: Fixed rate bonds (also referred as straights) and Floating-Rate Notes (FRNs).

Eurobonds, are generally listed on world's stock exchanges, usually on the Luxembourg Stock Exchange. There were various innovations in the structuring of bond issues during the eighties. These structures used swap technique to switch from one currency to another, or to acquire multi-currency positions. Another variation was in the form of equity-related bonds as 181 convertibles or bonds with equity warrants. Zero-coupon bonds were issued capitalizing on the tax treatment. Bond issue structures can be classified into two broad categories: Fixed rate bonds (also referred as straights) and Floating-Rate Notes (FRNs).

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138/335	SUBMITTED TEXT	69 WORDS	90% MATCHING TEXT	69 WORDS

Fixed Rate Bonds: 'Straight Debt Bonds'/'Fixed Rate Bonds' are fixed interest-bearing securities which are redeemable at face value. These unsecured bonds which are floated in domestic markets or international markets, are denominated in the respective currency with interest rates fixed based on a certain formula applicable in a given market. The bonds issued in the Euro-market referred to as Euro-bonds, have interest rates fixed with reference to the

Fixed Rate Bonds / Straight Debt Bonds: Straight Debt Bonds are fixed interest bearing securities which are redeemable at face value. These unsecured bonds which are floated in domestic markets or international markets, are denominated in the respective currency with interest rates fixed on the basis of a certain formula applicable in a given market. The bonds issued in the Euro-market referred to as Euro-bonds, have interest rates fixed with reference to the

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139/335	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS

of the issuer. The yields on these instruments depend on

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140/335	SUBMITTED TEXT	25 WORDS	92% MATCHING TEXT	25 WORDS

short-term interest rates. LIBOR is the most commonly used benchmark for measuring the yields on these bonds. The interest rate on dollar denominated bonds

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141/335	SUBMITTED TEXT	99 WORDS	100% MATCHING TEXT	99 WORDS

set at a margin over the US treasury yields. The redemption of 'straights' is done by 'bullet payment', where the repayment of debt will be in one lump sum at the end of the maturity period, and annual servicing. Further, there is no tax deduction at source on the income of these bonds. These bonds are listed either on London, Luxembourg or Singapore stock exchanges. In addition to the fixed rate bonds, there are the zero-coupon bonds which do not pay the investors any interest and therefore, are not taxable on a year-to-year basis. Instead, the differential between

set at a margin over the US treasury yields. The redemption of straights is done by bullet payment, where the repayment of debt will be in one lump sum at the end of the maturity period, and annual servicing. Further, there is no tax deduction at source on the income of these bonds. These bonds are listed either on London, Luxembourg or Singapore stock exchanges. 182 In addition to the fixed rate bonds, there are the zero coupon bonds which do not pay the investors any interest and therefore, are not taxable on a year-to-year basis. Instead, the differential between

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142/335	SUBMITTED TEXT	3 WORDS	100% MATCHING TEXT	3 WORDS

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money • your money you can invest in adrs and gdrs sitting in india

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143/335	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS

maturity value and the issue price could be treated as capital gains and taxed at a lower rate accordingly.

maturity value and the issue price could be treated as capital gains and taxed at a lower rate accordingly.

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144/335	SUBMITTED TEXT	104 WORDS	90% MATCHING TEXT	104 WORDS

Floating Rate Notes (FRNs) can be described as a bond issue with a maturity period varying from 5-7 years having varying coupon rates – either pegged to another security or re-fixed at periodic intervals. Conventionally, the paper is referred to as notes and not as bonds. The margin or spreads on these notes will be above six months LIBOR for Eurodollar deposits. The bulk of the issues in the '70s were denominated in US dollars. Later, the concept was applied to other currencies, like Pound Sterling, Deutsche Mark, European currency units and others. Extensive usage of these FRNs is done by both American (

Floating Rate Notes (FRNs): FRNs can be described as a bond issue with a maturity period varying from 5-7 years having varying coupon rates - either pegged to another security or re-fixed at periodic intervals. Conventionally, the paper is referred to as notes and not as bonds. The spreads or margin on these notes will be above 6 months LIB OR for Eurodollar deposits. The bulk of the issues in the seventies were denominated in US dollars. Later, the concept was applied to other currencies, like Pound Sterling, Deutsche Mark, European currency units and others. Extensive usage of these FRNs is done by both American

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145/335	SUBMITTED TEXT	52 WORDS	97% MATCHING TEXT	52 WORDS

and Non-American Banks who would borrow to obtain dollars without exhausting credit lines with other banks. Thus, FRNs represent an additional way to raise capital for them. To cater to the varying shifts in the investor preferences and borrowers' financial requirements, variations have been introduced in the basic FRN concept.

and Non-American Banks who would borrow to obtain dollar without exhausting credit lines with other banks. Thus, FRNs represent an additional way to raise capital for them. To cater to the varying shifts in the investor preferences and borrowers' financial requirements, variations have been introduced in the basic FRN concept.

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146/335	SUBMITTED TEXT	41 WORDS	87% MATCHING TEXT	41 WORDS

restructured into the following types: ? Flip-Flop FRNs: The investors have an option to convert the paper into a flat interest paying instrument at the end of a period. The investor could change his/her mind and convert the note into

restructured into the following types: ➢ ➢ Flip-Flop FRNs: The investors have the option to convert the paper into flat interest paying instrument at the end of a particular period. The investor could change his mind and convert the note into

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147/335	SUBMITTED TEXT	45 WORDS	100% MATCHING TEXT	45 WORDS

perpetual note once again at maturity. World Bank had come out with a 'FRNs issue' with perpetual life and having a spread of 50 basis points over the US treasury rate. Every 6 months the investors had the option of converting the FRN into

perpetual note once again at maturity. World Bank had come out with a FRNs issue with perpetual life and having a spread of 50 basis points over the US treasury rate. Every 6 months the investors had the option of converting the FRN into 3-

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148/335	SUBMITTED TEXT 135 WORDS	100% MATCHING TEXT 135 WORDS

month note with a flat 3-month yield. The investor could also revert his decision and change it to a perpetual note. ? Mismatch FRNs: These notes have semi-annual interest payments though the actual rate is fixed monthly. This enables investors to benefit from arbitrage arising on account of differentials in interest rates for different maturities. They are also known as rolling rate FRNs. ? Mini-Max FRNs: These notes include both minimum and maximum coupons. The investors will earn a minimum rate as well as a maximum rate on these notes. Depending on the differential between these rates, the spreads are earned on these notes. These notes are also known as collared FRNs. ? Capped FRNs: An interest rate cap is given over which the borrower is not required to service the notes, even if

month note with a flat 3-month yield. The investor could also revert his decision and change it to a perpetual note. ➢ ➢ Mismatch FRNs: These notes have semi-annual interest payments though the actual rate is fixed monthly. This enables investors to benefit from arbitrage arising on account of differentials in interest rates for different maturities. They are also known as rolling rate FRNs. ➢ ➢ Mini-Max FRNs: These notes include both minimum and maximum coupons. The investors will earn a minimum rate as well as a maximum rate on these notes. Depending on the differential between these rates the spreads are earned on these notes. These notes are also known as collared FRNs. 183 ➢ ➢ Capped FRNs: An interest rate cap is given over which the borrower is not required to service the notes, even if

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149/335	SUBMITTED TEXT 32 WORDS	92% MATCHING TEXT 32 WORDS

LIBOR goes above that level. Typically, the investors have margins higher than that is normally applicable. ? VRN-Structured FRNs: These represent long-dated paper with variable interest spreads, with margins over the

Libor goes above that level. Typically, the investors have margins higher than that is normally applicable. ➢ ➢ VRN-Stl1lctured FRNs: These represent long-dated paper with variable interest spreads, with margins over Libor. The

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150/335	SUBMITTED TEXT 120 WORDS	98% MATCHING TEXT 120 WORDS

LIBOR. The margins rise for longer maturities. ? Perpetual FRNs: These notes which are irredeemable are also known as perpetual floaters or undated issues. Procedure Coming out with a bond issue is the most complex and elaborate of the procedures of all the funding programs. Bonds need to be carefully designed and executed, especially as these are placed with international clientele. The success of a bond issue depends not so much on costs as on the position and capabilities of the bidders for launching the issue. The cheapest bid, therefore, may not be the best bid because the track record and current market standing of the bidders would have to be carefully weighed while choosing the lead manager.

Libor. The margins rise for longer maturities. ➢ ➢ Perpetual FRNs: These notes which are irredeemable are also known as perpetual floaters or undated issues Procedure Coming out with a bond issue is the most complex and elaborate of the procedures of all the funding programs. Bonds need to be carefully designed and executed, especially as these are placed with international clientele. The success of the bond issue depends not so much on costs as on the position and capabilities of the bidders for launching the issue. The cheapest bid therefore, may not be the best bid because the track record and current market standing of the bidders would have to be carefully weighed while choosing the lead manager.

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151/335	SUBMITTED TEXT 399 WORDS	93% MATCHING TEXT 399 WORDS

Therefore, the mandate of the bond issue must be awarded after proper deliberation on the modalities involved. The bids should include all necessary information relating to the placement strategy, market support operations, listing details, paying agency arrangements, delivery and handling of notes and trustee arrangements. After the receipt of a mandate, the mandated bank (referred to as lead manager or arrangers) must initiate steps for the formation of a syndicate group to complete bond issue formalities. Since it is the key member of the syndicate group, it is responsible for a series of tasks starting with the launching of the issue till its closure as explained below: a. Syndication: In particular, the 'Arranger's' (lead manager's) duties commence with a credit appraisal of the issuer based on a financial and operational data. The lead manager must organize detailed negotiations with the issuer for the purposes of settling various terms and conditions. A time-table too has to be drawn for going through various stages of bond issue floatation. It is also the lead managers' responsibility for drafting documents with the help of legal counsels. Bond issue documentation comprises, besides prospectus, subscription agreement, underwriting agreement, selling agency agreement, paying agency agreement, listing agreement and the trust deed. These agreements have the same kind of properties as in the case of a GDR issue mentioned earlier in this unit. Traditionally, international markets have been following open priced syndication procedures. Under this, the lead manager keeps pricing open until the subscription agreement is signed. The lead manager assesses not only the market mood but the precise level at which an issue would be supported, and subscriptions can be procured in adequate measure. International markets have also come up with an innovative method of syndication referred to as bought-out deal process. Under this system, pre- priced issue (pre-priced by the lead manager and co-management group) are presented to the market and the issuer knows the exact issue price and coupon rate before the former is launched in the market. b. Launching, Offering and Closing: Placement of new bond issues in markets follows a standard route. On receipt of various approvals and authorizations by the issuer, news concerning bond issue floatation is carried through the appropriate media. With the announcement of a bond issue launch, invitation telexes are sent to underwriters and to selling group members inviting their support. The main function of

Therefore, the mandate of the bond issue has to be awarded after proper deliberation on the modalities involved. The bids should include all necessary information relating to the placement strategy, market support operations, listing details, paying agency arrangements, delivery and handling of notes and trustee arrangements. After the receipt of a mandate, the mandated bank (referred to as lead manager or arrangers) has to initiate steps for the formation of a syndicate group to complete bond issue formalities. Since, it is the key member of the syndicate group, it is responsible for a series of tasks starting with the launching of the issue till its closure. a. Syndication: In particular, the Arranger's (lead managers) duties commence with a credit appraisal of the issuer on the basis of a financial and operational data. The lead manager has to organize detailed negotiations with the issuer for the purposes of settling various terms and conditions. A time table too has to be drawn for going' through various stages of bond issue floatation. It is also the lead managers' responsibility for drafting documents with the help of legal counsels. Bond issue documentation comprises, besides prospectus, subscription agreement, underwriting agreement, selling agency agreement, paying agency agreement, 184 listing agreement and the trust deed. These agreements have the same kind of properties as in the case of a GDR issue mentioned earlier in the chapter. Traditionally, international markets have been following open priced syndication procedures. Under this, the lead manager keeps pricing open until the subscription agreement is actually signed. The lead manager assesses not only the market mood but the precise level at which an issue would be supported and subscriptions can be procured in adequate measure. International markets have also come up with an innovative method of syndication referred to as bought- outdeal process. Under this system, pre priced issue (pre-printed by the lead manager and co-management group) are presented to the market and the issuer knows the exact issue 'price and coupon rate before the former is launched in the market. b. Launching, Offering and Closing: Placement of new bond issues in markets follows a standard route. On receipt of various approvals and authorizations by the issuer, news concerning bond issue floatation is carried through the appropriate media. With the announcement of a bond issue launch, invitation telexes are sent to underwriters and to selling group members inviting their support. The main function' of

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152/335	SUBMITTED TEXT 58 WORDS	71% MATCHING TEXT 58 WORDS

is to take up the issue on execution of the underwriting agreement. It is customary for them to sell the issue subsequently. Underwriting is done by three groups – the managers, major underwriters and minor underwriters. While the commitments on the first two categories of underwriters will be an average of one per cent of the

is to take up the issue on execution of the underwriting agreement. It is CUSIO~,; 0:- them to sell the issue subsequently. underwriting is done b:. wee groups the managers, major underwriting and minor underwriting. While the me commitments on the first two categories of underwriting will be an average of 1 percent of the

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153/335	SUBMITTED TEXT 103 WORDS	93% MATCHING TEXT 103 WORDS
	issue, the last category of underwriters will have a commitment of 0.5 per cent of the issue. Compared to underwriting, selling is organized in a different manner. While underwriters take title to the issue so underwritten, selling group members do not take title as they undertake to sell the issue if support is obtained. The selling group, therefore, does not carry any risk – in a technical sense – compared to the underwriting group. The next stage in bond issue floatation is the offering. During this phase, terms consisting of coupon rate and issue price are finalized. Pricing is determined	issue, the last category of underwriting will have a commitment of 0.5 percent of the issue. Compared to underwriting, selling is organized in a different manner. While underwriters take title to the issue so underwritten, selling group members do not take title as they undertake to sell the issue if support is obtained. The selling group, therefore, do not carry any risk - in a technical sense compared to the underwriting group. The next stage in bond issue floatation is the offering. During this phase, terms consisting of coupon rate and issue price are finalized. Pricing is determined 011

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154/335	SUBMITTED TEXT 152 WORDS	94% MATCHING TEXT 152 WORDS
	the underwriters' response and is undertaken one day before the offering. The lead manager, jointly with co-managers, must assess the mood and response of the market and weigh the response of the underwriters accordingly. The two-day period prior to the offer is, therefore, very crucial and hectic discussions and negotiations are undertaken in order to arrive at a correct bond issue pricing. During the offering period, the issuer and the lead manager organize a sales campaign. Various markets are tapped by means of roadshows. These are in fact investor meetings where the offering of a bond is formally presented to investors. Roadshows are organized at various centers and are important from the point of view of placing the issue. The offering phase is concluded with the actual sale of bonds, signing of necessary agreements and publicity regarding the transaction coming to an end. Given below (Table 12.1) is the	the underwriters' response, and is undertaken one day before the offering. The lead managers, jointly with co-managers, have to assess the mood and response of the market and weigh the response of the underwriters accordingly. The two-day period prior to the offer is, therefore, very crucial and hectic discussions and negotiations are undertaken in order to arrive at a correct bond issue pricing. 185 During the offering period, the issuer and the lead manager organize a sales campaign. Various markets are tapped by means of road shows. These are in fact investor meetings where the offering of a bond is formally presented to investors. Road shows are organized at various centers and are important from the point of view of placing the issue. The offering phase is concluded with the actual sale of bonds, signing of necessary agreements and publicity regarding the. transaction coming to an end. Given below is the

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155/335	SUBMITTED TEXT 28 WORDS	100% MATCHING TEXT 28 WORDS
	For frequent issuers of bonds, the time schedule is shorter as the familiarity of the parties with the process ensures expeditious completion of various stages. Table 12.1:	For frequent issuers of bonds, the time schedule is shorter as the familiarity of the parties with the process ensures expeditious completion of various stages. Table 7:

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156/335	SUBMITTED TEXT 28 WORDS	100% MATCHING TEXT 28 WORDS
	For frequent issuers of bonds, the time schedule is shorter as the familiarity of the parties with the process ensures expeditious completion of various stages. Table 12.1:	For frequent issuers of bonds, the time schedule is shorter as the familiarity of the parties with the process ensures expeditious completion of various stages. Table 7:

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157/335	SUBMITTED TEXT	249 WORDS	94% MATCHING TEXT	249 WORDS

Listing Bond issues are listed at one or more stock exchanges depending upon the type of bond issue, the currency of denomination and the desire of the issuer to seek a quotation at various centers. Generally, the Eurobonds denominated in dollars are listed at London/Luxembourg stock exchanges, the bonds denominated in French Franc at Luxembourg stock exchange and those bonds denominated in DM at German stock exchanges. Bonds issued in domestic markets like Japan, Switzerland or Germany must be listed as per the requirements. Bond issue procedures are finally concluded with the advertisement (known as tombstone advertisement). Clearing Arrangements With a view to facilitating both new issue and secondary market operations, clearing house arrangements have been made and systems laid down for handling transactions. Eurobonds are usually handed over to either the 'Euroclear' system (Brussels) or 'Cedel' (Luxembourg). The two systems have been linked by what is known as an 'electric bridge'. 'Euroclear' and 'Cedel' follow two distinct practices, fungible and non-fungible accounts, for concluding transactions between parties. While the fungible accounts system is most popular in Euromarkets, the non-fungible system is useful for control purposes. In a fungible account system, details regarding the identity of the owners and location of individual securities are not provided. 'Euroclear' system handles trades on fungible basis, whereas 'Cedel' permits both procedures. The two clearing systems have been providing various other facilities, apart from settlement of secondary market trading transactions. For instance, finance is provided by them for facilitating market-making operations.

Listing Bond issue are listed at one or more stock exchanges depending upon the type of bond issue, the currency of denomination and the desire of the issuer to seek a quotation at various centers. Generally the Eurobonds denominated in dollars are listed at London/ Luxembourg Stock Exchanges, the bonds denominated ill French Franc at Luxembourg Stock Exchange and those bonds denominated in DM at German Stock Exchanges. Bonds issued in domestic markets like Japan, Switzerland or Germany have to be listed as per the requirements. Bond issue procedures are finally concluded with the tombstone advertisement and bible compilation. 188 Clearing Arrangements With a view to facilitating both new issue and secondary market operations, clearing house arrangements have been made and systems laid down for handling transactions. Eurobonds are usually handed over to either the Euro clear system (Brussels) or Cedel (Luxembourg). The two systems have been linked by what is known as an electric bridge. Euroclear and Cedel follow two distinct practices, fungible and non-fungible accounts, for concluding transactions between parties. While the fungible accounts system is most popular in Euromarkets, the non-fungible system is useful for control purposes. In a fungible account system, details regarding the identity of the owners and location of individual securities are not provided. Euroclear system handles trades on fungible basis, whereas Cedel permits both procedures. The two clearing systems have been providing various other facilities, apart from settlement of secondary market trading transactions. For instance, finance is provided by them for facilitating market-making operations.

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158/335	SUBMITTED TEXT	12 WORDS	90% MATCHING TEXT	12 WORDS

Bonds: Yankee Bonds are US Dollar denominated issues by foreign borrowers

Bonds a. Yankee Bonds: These are US dollar denominated issues by foreign borrowers (

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159/335	SUBMITTED TEXT	12 WORDS	90% MATCHING TEXT	12 WORDS

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160/335	SUBMITTED TEXT	37 WORDS	90% MATCHING TEXT	37 WORDS

usually foreign governments or entities, supranational and highly rated corporate borrowers. 'Yankee bond' has certain peculiar features associated with the US domestic market. SEC regulates the international bond issues and requires disclosure documents in detail. The

usually foreign governments or entities, supranationals and highly rated corporate borrowers) in the US bond markets~ Yankee bond has certain peculiar features associated with the US domestic market. SEC regulates the international bond issues and requires complete disclosure documents in detail than the

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161/335	SUBMITTED TEXT 37 WORDS	90% MATCHING TEXT 37 WORDS
	usually foreign governments or entities, supranational and highly rated corporate borrowers. 'Yankee bond' has certain peculiar features associated with the US domestic market. SEC regulates the international bond issues and requires disclosure documents in detail. The	usually foreign governments or entities, supranationals and highly rated corporate borrowers) in the US bond markets~ Yankee bond has certain peculiar features associated with the US domestic market. SEC regulates the international bond issues and requires complete disclosure documents in detail than the

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162/335	SUBMITTED TEXT 27 WORDS	84% MATCHING TEXT 27 WORDS
	than the prospectus used in Eurobond issues. Foreign borrower will have to adopt the US accounting practices. US credit rating agencies provides rating for these bonds.	than the prospectus used in Eurobond issues, foreign borrower Will have to adopt the US accounting practices and the US credit rating agencies will have to provide rating for these bonds.

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163/335	SUBMITTED TEXT 27 WORDS	84% MATCHING TEXT 27 WORDS
	than the prospectus used in Eurobond issues. Foreign borrower will have to adopt the US accounting practices. US credit rating agencies provides rating for these bonds.	than the prospectus used in Eurobond issues, foreign borrower Will have to adopt the US accounting practices and the US credit rating agencies will have to provide rating for these bonds.

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164/335	SUBMITTED TEXT 21 WORDS	100% MATCHING TEXT 21 WORDS
	US) domestic underwriting syndicate and require Securities and Exchange Board registration prior to selling them in the domestic US market.	US domestic underwriting syndicate and require Securities and Exchange Board registration prior to selling them in the domestic US market.

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165/335	SUBMITTED TEXT 21 WORDS	100% MATCHING TEXT 21 WORDS
	US) domestic underwriting syndicate and require Securities and Exchange Board registration prior to selling them in the domestic US market.	US domestic underwriting syndicate and require Securities and Exchange Board registration prior to selling them in the domestic US market.

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166/335	SUBMITTED TEXT 25 WORDS	93% MATCHING TEXT 25 WORDS
	Europe is at the forefront of issuing these securities worldwide as over the last 5 years, 40% of the Yankee Bonds issued came from	Europe is at the forefront of issuing these securities worldwide: over the last 5 years, 40% of the Yankee Bonds issued came from

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167/335	SUBMITTED TEXT 26 WORDS	92% MATCHING TEXT 26 WORDS
	domestic markets. Borrowers are supranational. They have at least a minimum investment grade rating (A-rated). The maturities range between 3-20 years. The priority for allowing	domestic Japanese markets. Borrowers are supranationals and have at least a minimum investment grade rating (A rated). The maturities range between 3-20 years. The priority for allowing

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168/335	SUBMITTED TEXT 26 WORDS	92% MATCHING TEXT 26 WORDS
	domestic markets. Borrowers are supranational. They have at least a minimum investment grade rating (A-rated). The maturities range between 3-20 years. The priority for allowing	domestic Japanese markets. Borrowers are supranationals and have at least a minimum investment grade rating (A rated). The maturities range between 3-20 years. The priority for allowing

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169/335	SUBMITTED TEXT 42 WORDS	87% MATCHING TEXT 42 WORDS
	is given to the sovereigns after the supranational and their entities, and to high quality private corporations specifically having Japanese trade links. This is also a registered bond making the settlement and administrative procedures relatively costly. Among the Yen financing instruments,	is given to the sovereigns after the supranationals and their entities and to high quality private corporations specifically if there are Japanese trade links. This is also a registered bond and the settlement and administrative procedures make it relatively costly. Among the Yen financing instruments,

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170/335	SUBMITTED TEXT 42 WORDS	100% MATCHING TEXT 42 WORDS
	Worldwide, the most frequently issued Yankee bonds are Investment Grade (rating of BBB- or higher) covering 63% of issues (74% in Europe). This is followed by High Yield Corporate bonds (19% worldwide, 25% in Europe) 7 .	Worldwide, the most frequently issued Yankee bonds are Investment Grade (rating of BBB- or higher) covering 63% of issues (74% in Europe). This is followed by High Yield Corporate bonds (19% worldwide, 25% in Europe).

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171/335	SUBMITTED TEXT 42 WORDS	87% MATCHING TEXT 42 WORDS
	is given to the sovereigns after the supranational and their entities, and to high quality private corporations specifically having Japanese trade links. This is also a registered bond making the settlement and administrative procedures relatively costly. Among the Yen financing instruments,	is given to the sovereigns after the supranationals and their entities and to high quality private corporations specifically if there are Japanese trade links. This is also a registered bond and the settlement and administrative procedures make it relatively costly. Among the Yen financing instruments,

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172/335	SUBMITTED TEXT 11 WORDS	100% MATCHING TEXT 11 WORDS
	is the most expensive in terms of issuing costs. As	is the most expensive in terms of issuing costs. As

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173/335	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS

is the most expensive in terms of issuing costs. As

is the most expensive in terms of issuing costs. As

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174/335	SUBMITTED TEXT	24 WORDS	89% MATCHING TEXT	24 WORDS

instrument is issued for the public, the arrangements for underwriting and selling must be made which involves large documentation.

instrument is issued for the public, the arrangements for underwriting and selling have to be made which involves large documentation.

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175/335	SUBMITTED TEXT	24 WORDS	89% MATCHING TEXT	24 WORDS

instrument is issued for the public, the arrangements for underwriting and selling must be made which involves large documentation.

instrument is issued for the public, the arrangements for underwriting and selling have to be made which involves large documentation.

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176/335	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS

There are two major parties to a Samurai bond issue.

There are two major parties to a Samurai bond issue,

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177/335	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS

There are two major parties to a Samurai bond issue.

There are two major parties to a Samurai bond issue,

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178/335	SUBMITTED TEXT	99 WORDS	96% MATCHING TEXT	99 WORDS

The securities house, which acts as lead arranger, and 2. The bank, acting as a chief commissioned company. The process followed is usually the same as is followed elsewhere for the Eurobonds. However, it is to be noted that the documentation and formalities are friendly and hospitable. 7

the securities house, which acts as lead arranger, and the bank, acting as a chief commissioned company. The process followed is generally the same as is followed elsewhere for the Eurobonds. However, it is to be noted that the documentation and formalities are friendly and hospitable.

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179/335	SUBMITTED TEXT	99 WORDS	96% MATCHING TEXT	99 WORDS

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180/335	SUBMITTED TEXT	3 WORDS	100% MATCHING TEXT	3 WORDS

about-us/news-and-deals/deals/2021/march/europe-is-at-the-forefront-of-the- yankee-bond-market

about-us/news-and-deals/deals/2021/march/europe-is-at-the-forefront-of-the-yankee-bond-market

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181/335	SUBMITTED TEXT	45 WORDS	81% MATCHING TEXT	45 WORDS

c. Bulldog Bonds: Bulldog Bonds are Sterling denominated foreign bonds. These are raised in the UK domestic securities market. The maturity of the bulldog bonds will be either for very short periods (5 years) or for very long maturities (25 years and above).

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183/335	SUBMITTED TEXT	15 WORDS	89% MATCHING TEXT	15 WORDS

Bonds with intermediate maturity periods are rare. These 'bulldog bonds' are usually subscribed by

Bonds with intermediate maturity periods are rare. These bulldog bonds are generally subscribed by

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184/335	SUBMITTED TEXT	15 WORDS	89% MATCHING TEXT	15 WORDS

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185/335	SUBMITTED TEXT	103 WORDS	93% MATCHING TEXT	103 WORDS

bonds are usually redeemed on bullet basis, means one-time lump sum payment on maturity. However, due to the long maturities, early amortizations - say 5 equal annual installments prior to the maturity date, may also be allowed. A margin on the UK government bond will be the yield earned on this paper. These bonds which are offered either by placing or offer for sale process will have to be listed on the London Stock Exchange. d. Shibosai Bonds: These are the privately placed bonds issued in the Japanese markets. The qualifying criteria are less stringent as compared to Euro Yen bonds

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186/335	SUBMITTED TEXT	103 WORDS	93%	MATCHING TEXT	103 WORDS

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187/335	SUBMITTED TEXT	28 WORDS	100%	MATCHING TEXT	28 WORDS

Submitted text: Bonds. Shibosai bonds are offered to a different market segment that consists of institutional investors, including banks. The eligibility criteria, amount, maturity and redemption as well as

Matching text: bonds. Shibosai bonds are offered to a different market segment that consists of institutional investors, including banks. The eligibility criteria, amount, maturity and redemption as well as

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188/335	SUBMITTED TEXT	28 WORDS	100%	MATCHING TEXT	28 WORDS

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189/335	SUBMITTED TEXT	11 WORDS	95%	MATCHING TEXT	11 WORDS

Submitted text: by Japan’s Ministry of Finance (MoF). In terms of eligibility,

Matching text: by Japan's Ministry of Finance (MoF) guidelines. In terms of eligibility,

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190/335	SUBMITTED TEXT	11 WORDS	95%	MATCHING TEXT	11 WORDS

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Matching text: by Japan's Ministry of Finance (MoF) guidelines. In terms of eligibility,

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191/335	SUBMITTED TEXT	80 WORDS	86% MATCHING TEXT	80 WORDS

sovereign and corporate) into several groups. The rated borrowers are divided into three groups in accordance with the rating. While non-rated borrowers are segmented based upon the country rating or previous bond issue floatation experience, the pricing formula is elaborate and starts with the computation of base rate, spreads being added according to the credit rating of the borrowers. The procedures for completing the bond issue formalities are elaborate and take about 45 days after the mandate is awarded.

sovereign and corporate) into different groups. The rated borrowers are divided into three groups in accordance with the rating, while non-rated borrowers are segmented on the basis of country rating or previous bond issue floatation experience. The pricing formula is elaborate and starts with the computation of base rate, spreads being added according to the credit rating of the borrowers. The procedures for completing bond issue formalities are elaborate and take about forty-five days after the mandate is awarded.

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192/335	SUBMITTED TEXT	80 WORDS	86% MATCHING TEXT	80 WORDS

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193/335	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS

bonds worth 300 million euros for a period of seven years

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W https://www.business-standard.com/article/companies/pfc-issues-300-million-euro-bonds-for-7-year- ...

194/335	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS

pfc-issues-300-million-euro- bonds-for-7-year-period-in-european-market-121091600718_1.

PFC issues 300 million euro bonds for 7-year period in European market •

W https://www.business-standard.com/article/companies/pfc-issues-300-million-euro-bonds-for-7-year- ...

195/335	SUBMITTED TEXT	33 WORDS	95% MATCHING TEXT	33 WORDS

In the early '80s, the international capital markets were faced with problems of country defaults, uncertain supply of OPEC deposits, which were the main source of deposits in the '70s, and the

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197/335	SUBMITTED TEXT 191 WORDS	90% MATCHING TEXT 191 WORDS

imbalances which were resulting in rising inflation and volatility in exchange and interest rates. All these factors enhanced the risks in the international financial sphere. The search in mid-80s for a paper that goes beyond the interbank market for arranging funds and which has wider support for resource raising through primary investors in various markets has contributed to the birth of 'Euro notes'. A series of developments during the '80s, triggered by the bank credit crisis provided impetus to the process of origin of these notes. Instruments 'Euro notes' as a concept is different from syndicated bank credit and is different from Eurobonds in terms of its structure and maturity period. 'Euro notes' command the price of a short-term instrument usually a few basis points over LIBOR and in many instances at sub-LIBOR levels. The documentation formalities are minimal (unlike in the case of syndicated credits or bond issues) and cost savings can be achieved on that score too. The funding instrument in the form of 'Euro notes' possesses flexibility and can be tailored to suit the specific requirements of different types of borrowers. There are numerous applications of

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199/335	SUBMITTED TEXT 35 WORDS	90% MATCHING TEXT 35 WORDS
	basic concepts of 'Euro notes'. These may be categorized under the following heads: a. Commercial Paper: These are short-term unsecured promissory notes which repay a fixed amount on a certain future date.	basic concepts of Euronotes. These may be categorized under the following heads: a. Commercial Paper: These are short-term unsecured promissory notes which repay a fixed amount on a certain future date.

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200/335	SUBMITTED TEXT 35 WORDS	90% MATCHING TEXT 35 WORDS
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201/335	SUBMITTED TEXT 30 WORDS	79% MATCHING TEXT 30 WORDS
	on the credit- worthiness of the issuer corporate. Referred as 'Euro Commercial Paper', these papers are not underwritten and have maturities up to one year, mostly by way of	on the general creditworthiness of the issuers. Referred as Euro Commercial Paper, these papers are not underwritten and have maturities up to one year, mostly by way of

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203/335 **SUBMITTED TEXT** 196 WORDS **97%** **MATCHING TEXT** 196 WORDS

SUBMITTED TEXT

three-month or six-month paper. Even though maturities are short, the overall funding program could be for medium-to long-term. Usually, the borrowers plan a series of tranches to match their funding needs throughout the life of the program once they are established. It takes about four to five weeks after the initial decision is taken by the concerned parties. Issuer of CP initiates proceedings by selecting a dealer and an issuing and paying agent. While it is not mandatory to have ratings, issuers often seek ratings for a successful launching of CP programs. The documentation is simple and comprises an information memorandum, dealer agreement, issuing and paying agency agreement and the actual notes. The information memorandum is a standard and routine document and carries basic information concerning the issuer. The relevant operational information and financials are summarized in an information memorandum for CP, which must be updated periodically. In terms of disclosure requirements, the information memorandum is expected to help investors independently judge the credit-worthiness of the CP issuer. A significant variation of 'Commercial Paper' is the asset-backed CP which is backed by financial assets such as mortgages or credit card receivables.

MATCHING TEXT

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204/335 **SUBMITTED TEXT** 196 WORDS **97%** **MATCHING TEXT** 196 WORDS

SUBMITTED TEXT

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205/335	SUBMITTED TEXT 22 WORDS	92% MATCHING TEXT 22 WORDS
	the pricing of 1.841 per cent achieved was the lowest yield locked in by an Indian issuer in the euro markets.	The pricing of 1.841 per cent achieved is the lowest yield locked in by an Indian issuer in the euro markets,"

W https://www.business-standard.com/article/companies/pfc-issues-300-million-euro-bonds-for-7-year- ...

206/335	SUBMITTED TEXT 17 WORDS	100% MATCHING TEXT 17 WORDS
	US dollars. A NIF is a medium-term legally binding commitment under which a borrower can issue short-	US dollars. A NIF is a medium-term legally binding commitment under which a borrower can issue short-

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207/335	SUBMITTED TEXT 17 WORDS	100% MATCHING TEXT 17 WORDS
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208/335	SUBMITTED TEXT 16 WORDS	93% MATCHING TEXT 16 WORDS
	NIF is a medium-term legally binding commitment under which a borrower can issue short-term paper,	NIF is a medium-term legally binding commitment under which a borrower firm can issue a term paper

W https://w3it.dev/10-financing-decisions-of-mncs-international-financial-management.html

209/335	SUBMITTED TEXT 12 WORDS	100% MATCHING TEXT 12 WORDS
	paper, of up to one year. The underlying currency is mostly	paper, of up to one year.. The underlying currency is mostly

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210/335	SUBMITTED TEXT 12 WORDS	100% MATCHING TEXT 12 WORDS
	paper, of up to one year. The underlying currency is mostly	paper, of up to one year.. The underlying currency is mostly

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211/335	SUBMITTED TEXT 41 WORDS	90% MATCHING TEXT 41 WORDS
	purchase any notes which the borrower is unable to sell. NIFs can be re-issued periodically. In a typical NIF program, the issuer instructs the lead manager to issue Euro notes at desired intervals. Maximum and minimum amounts of each	purchase any notes which the borrower is unable to sell, or to provide standing credit. These can be re-issued periodically. In a typical NIF program, the issuer instructs the lead manager to issue Euro notes at desired intervals. Maximum and minimum amounts of each

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212/335	SUBMITTED TEXT	41 WORDS	90%	MATCHING TEXT	41 WORDS

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213/335	SUBMITTED TEXT	71 WORDS	97%	MATCHING TEXT	71 WORDS

issue are also specified. The lead manager sells the notes as per the placement agreement of the sole placing agent, multiple agents or a tender panel that bids competitively for the paper. In cases where there is sole placing agency arrangement, the structure is called a 'Revolving Underwriting Facility' (RUF). The notes are offered for sale during a specified selling period, usually ranging between three to 10 business days.

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215/335	SUBMITTED TEXT	16 WORDS	93%	MATCHING TEXT	16 WORDS

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W https://dev2u.net/2021/06/29/11-financing-decisions-of-mncs-international-financial-management-an ...

216/335	SUBMITTED TEXT	34 WORDS	76%	MATCHING TEXT	34 WORDS

NIFs primarily appeal to professional investors. These include commercial banks, and non-bank financial institutions such as provident funds and insurance companies. The underwriting support is provided by commercial banks. Investment companies, insurance companies

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217/335	SUBMITTED TEXT	34 WORDS	76% MATCHING TEXT	34 WORDS

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218/335	SUBMITTED TEXT	55 WORDS	90% MATCHING TEXT	55 WORDS

Underwriting fees (payable on the full amount of underwriting) 2. A one-time management fee (for structuring, pricing, syndication and documentation) and 3. Margin on the notes themselves. The margin on 'Euro notes' is expressed either in the form of spreads over LIBOR or built into the NIF pricing itself. c. Medium-Term Notes (MTNs):

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219/335	SUBMITTED TEXT	55 WORDS	90% MATCHING TEXT	55 WORDS

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220/335	SUBMITTED TEXT	26 WORDS	94% MATCHING TEXT	26 WORDS

are defined as sequentially issued fixed interest securities. They have a maturity of over one year. A typical MTN program enables an issuer to issue '

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222/335	SUBMITTED TEXT	91 WORDS	94%	MATCHING TEXT	91 WORDS

for different maturities, from over one year up to the desired level of maturity. MTNs are essentially fixed rate funding arrangements as the price of each preferred maturity is determined and fixed up front at the time of launching. These are conceived as non-underwritten facilities, even though international markets have started offering underwriting support in specific instances. A Global MTN (G-MTN) is issued worldwide by tapping Euro as well as the US markets under the same program. In view of placement of specific proportion of notes in the

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224/335	SUBMITTED TEXT	11 WORDS	100%	MATCHING TEXT	11 WORDS

US) markets, issuers are required to seek shelf registration from

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225/335	SUBMITTED TEXT	11 WORDS	100%	MATCHING TEXT	11 WORDS

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226/335	SUBMITTED TEXT	22 WORDS	88%	MATCHING TEXT	22 WORDS

G-MTN) programs, issuers of different credit ratings can raise finance by accessing retail as well as institutional investors. In view of

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227/335	SUBMITTED TEXT	22 WORDS	88% MATCHING TEXT	22 WORDS

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228/335	SUBMITTED TEXT	23 WORDS	93% MATCHING TEXT	23 WORDS

flexible access, speed and efficiency, and enhanced investor base, G- MTN programs afford numerous benefits to the issuers. Spreads paid on MTNs

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230/335	SUBMITTED TEXT	27 WORDS	94% MATCHING TEXT	27 WORDS

on credit ratings, treasury yield curve and the familiarity of the issuers among investors. Investors include private banks, pension funds, mutual funds and insurance companies. 12.8.4

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232/335	SUBMITTED TEXT	45 WORDS	93% MATCHING TEXT	45 WORDS

Syndicated Euro-credits are in existence since the late 1960s. The first syndicate was organized by Bankers' Trust to arrange a large credit for Austria. During the early '70s, Euromarkets saw the demand for Euro credits increasing from non- traditional and hitherto untested borrowers. The period

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234/335	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS

markets/bonds/no-plans-to-introduce-diaspora-bonds-nirmala- sitharaman/

Markets›Bonds›No plans to introduce diaspora bonds: Nirmala Sitharaman

W https://economictimes.indiatimes.com/markets/bonds/no-plans-to-introduce-diaspora-bonds-nirmala-s ...

235/335	SUBMITTED TEXT	42 WORDS	96% MATCHING TEXT	42 WORDS

was marked by a boom phase. To cope with the increasing demand for funds, lenders expanded their business without undertaking due credit appraisal of their clients or the countries thus financed. Further, the European banks had short-term deposits while most of

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237/335	SUBMITTED TEXT	41 WORDS	96% MATCHING TEXT	41 WORDS

borrowers required long-term deposits. These loans were at fixed rates, thus exposing these banks to interest rate risks. The banks evolved the concept of lending funds for medium/long-term i.e. 7-15 years on a variable interest rate basis linked to the

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238/335	SUBMITTED TEXT	32 WORDS	100% MATCHING TEXT	32 WORDS

The global syndicated loans market generated $1018.7 billion in 2021, and is projected to reach $3798.4 billion by 2031, growing at a CAGR of 14.2% from 2022 to 2031. The

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W https://www.globenewswire.com/en/news-release/2022/11/01/2545606/0/en/Global-Syndicated-Loans-Mar ...

239/335	SUBMITTED TEXT	41 WORDS	96%	MATCHING TEXT	41 WORDS

borrowers required long-term deposits. These loans were at fixed rates, thus exposing these banks to interest rate risks. The banks evolved the concept of lending funds for medium/long-term i.e. 7-15 years on a variable interest rate basis linked to the

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240/335	SUBMITTED TEXT	80 WORDS	82%	MATCHING TEXT	80 WORDS

Interbank Offer Rate (LIBOR). Revision of rates would take place every 3-6 months. Initially these loans were extended in currencies denominated by Yen, US$, Swiss Franc, DM and European Currency Unit (ECU). Loan amortization would be by way of half-yearly installments on completion of 2-3 years of grace period. This instrument on a variable interest rate basis has emerged as one of the most notable and popular financing instruments in the international financial markets. 'Syndicated Credit' remains as

Interbank Rate (LIBOR). Revision of rates would take place every 3-6 months. These loans are 219 extended in currencies denominated by US$, Yen, DM, Swiss Franc and European Currency Unit (ECU). Amortization of the loan would be by way of half-yearly installments 'on completion of 2-3 years of grace period. At present, this instrument on a variable interest rate basis has emerged as one of the most notable .and popular financing instruments in the international financial markets. Syndicated Credit relDalnS as :

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242/335	SUBMITTED TEXT	20 WORDS	91%	MATCHING TEXT	20 WORDS

simplest way for different types of borrowers to raise forex finances. Syndicates are classified into two types – 'club

simplest way for different types of borrowers to raise forex finance Syndicates are classified into two types - club

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243/335	SUBMITTED TEXT	20 WORDS	91%	MATCHING TEXT	20 WORDS

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244/335	SUBMITTED TEXT 23 WORDS	87% MATCHING TEXT 23 WORDS
	and a borrower. Conventionally, the entry into Euromarkets for a funding deal is well-publicized. When the loan amounts are small and parties	and a borrower. Conventionally, the entry into Euromarkets for a funding deal IS wel1-publicized. When the loan amounts are smal1 and parties

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245/335	SUBMITTED TEXT 23 WORDS	87% MATCHING TEXT 23 WORDS
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246/335	SUBMITTED TEXT 1 WORDS	100% MATCHING TEXT 1 WORDS
	Global-Syndicated- Loans-Market-to-Reach-3798-4-Billion-by-2031-Allied-Market-Research.	Global Syndicated Loans Market to Reach $3798.4 Billion by 2031: Allied Market Research

W https://www.globenewswire.com/en/news-release/2022/11/01/2545606/0/en/Global-Syndicated-Loans-Mar ...

247/335	SUBMITTED TEXT 23 WORDS	100% MATCHING TEXT 23 WORDS
	lending banks form a club and advance a loan. Therefore, in view of this private arrangement, an information memorandum is not complied	lending banks form a club and advance a loan. Therefore, in view of this private arrangement, an information memorandum is not complied

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248/335	SUBMITTED TEXT 23 WORDS	100% MATCHING TEXT 23 WORDS
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249/335	SUBMITTED TEXT 58 WORDS	97% MATCHING TEXT 58 WORDS
	and neither is the deal publicized in the financial press. Syndicate credits are created when lenders and borrowers come together and execute an agreement, defining terms and conditions, under which a loan can be advanced. These procedures and practices have, over the years, been developed and perfected so that a standard package has evolved now.	and neither is the deal publicized in the financial press. Syndicate credits are created when lenders and borrowers come together and execute an agreement, defing terms and conditions, under which a loan can be advanced. These procedures and practices have, over the years, been developed and perfected so that a standard package has evolved now. 220

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251/335	SUBMITTED TEXT 88 WORDS	93% MATCHING TEXT 88 WORDS
	Documentation Formalities Along with the syndication process, the lead manager/lead bank also initiates action of drafting the loan documentation, comprising an information memorandum and loan agreement. The information memorandum describes the borrowing entity, its formation, ownership and management. A detailed account of operations (past and present), and the cash flow position (along with a summary of the financials) find an important place in it. It must be noted that the information memorandum does not have the similar status and recognition as a prospectus. Hence, the lead manager	Documentation formalities Along with. the syndication process, the lead manager/lead bank also initiates action of drafting the loan documentation, comprising an information memorandum and loan agreement. The information memorandum describes the borrowing entity, its formation, ownership and management. A somewhat detailed account of operations, past and present, and the cash flow position (along with a summary of the financials) fund an important place in it. It must be noted that the information memorandum does not have the same status and recognition as a prospectus; neither does the lead manager

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253/335	SUBMITTED TEXT 12 WORDS	100% MATCHING TEXT 12 WORDS
	take any responsibility for its accuracy. The information memorandum also contains	take any responsibility for its accuracy. The information memorandum also contains

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254/335	SUBMITTED TEXT 12 WORDS	100% MATCHING TEXT 12 WORDS
	take any responsibility for its accuracy. The information memorandum also contains	take any responsibility for its accuracy. The information memorandum also contains

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255/335	SUBMITTED TEXT	25 WORDS	100% MATCHING TEXT	25 WORDS

description of the guarantor, in case loans carry a state guarantee. Many developing country transactions carry the guarantee of their respective governments and conventions

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256/335	SUBMITTED TEXT	25 WORDS	100% MATCHING TEXT	25 WORDS

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257/335	SUBMITTED TEXT	54 WORDS	95% MATCHING TEXT	54 WORDS

have evolved for describing the guarantor. Since the information memorandum is registered with any stock exchange, it does not carry the weightage of a bond issue prospectus. However, it is an important document from the commercial aspect. Prospective lenders rely upon the statements it carries and hence due diligence must be observed.

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W https://backup.pondiuni.edu.in/storage/dde/downloads/ibiv_gfm.pdf

258/335	SUBMITTED TEXT	84 WORDS	76% MATCHING TEXT	84 WORDS

Delivery Hero (DHER.DE) had launched a debt financing syndication equal to 1.4 billion euros ($1.55 billion) with proceeds to be used to bolster its liquidity position. The proceeds from a $825-million-term facility and 300-million-euro term facility, with a maturity of 5.25 years, would be also used for refinancing of convertible debt at maturity, working capital and guarantees and other general corporate purposes. Further the company entered into a revolving credit facility to the extent of 375 million euros with a consortium of

Delivery Hero (DHER.DE) said on Monday it had launched a debt financing syndication equal to 1.4 billion euros ($1.55 billion) with proceeds to be used to bolster its liquidity position. The proceeds from a $825-million-term facility and 300-million-euro term facility, which have a maturity of 5.25 years, would also be used for potential refinancing of convertible debt at maturity, working capital and guarantees, among other general corporate purposes, said the German takeaway company. Delivery Hero said it would also enter a revolving credit facility in the amount of 375 million euros with a consortium of

W https://www.reuters.com/business/delivery-hero-launches-14-bln-euro-debt-financing-syndication-20 ...

259/335	SUBMITTED TEXT	54 WORDS	95% MATCHING TEXT	54 WORDS

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W https://backup.pondiuni.edu.in/storage/dde/downloads/ibiv_gfm.pdf

260/335	SUBMITTED TEXT	296 WORDS	90%	MATCHING TEXT	296 WORDS

The principal loan document is the loan agreement. It is the responsibility of the lead manager to draft and conclude it satisfactorily. The agreement is signed by all participating banks and the borrower. It describes the basic transaction, drawdown arrangements, interest rate and its determination, commitment fees, warranties and undertakings, default circumstances, financial covenants (if any), agent bank and the participating banks. The loan is underwritten by a management group assembled by the lead bank. Sometimes the lead bank itself underwrites more than half of the loan amount. 12.9.3 Pricing Methodology As mentioned earlier, the loan will be charged at an interest rate that is linked to the bench mark rate (earlier LIBOR). The rate will be ARR plus the spread the bank would like to maintain. This spread which may be anywhere from 0.125 percent to 1.5 percent, may remain constant over the life of the loan or may be changed after a certain fixed number of years. In addition, the lead manager's fee, which will be 0.125 percent of the loan, the commitment fee of 0.5 percent on the undrawn loan amount and agent's fee will be the total annual charges. Front-end charges include participation fee for the banks taking part in the loan and the management fees for the underwriting banks and lead banks. These loans will require a bank guarantee and the bank should comply the capital adequacy norms. However, there are no other collaterals attached. 12.9.4 Indian Scenario While the early '80s saw the Indian PSUs, banks, and FIs raise funds by way of syndicated loans, subsequent rating position of India did not seem to be congenial for the same. Future borrowings with this method of loan syndication will also depend to a large extent on this sovereign rating.	The principal loan document is the loan agreement and it is the responsibility of the lead manager to draft and conclude it satisfactorily. The agreement is signed by all participating banks and the borrower. It describes the basic transaction, drawdown arrangements, interest rate and its determination, commitment fees, warranties and undertakings, default circumstances, financial covenants (if any), 'agent bank' and the participating banks. The loan is underwritten by a management group assembled by the lead bank. Sometimes the lead bank itself underwrites more than half of the loan amount. Pricing Method ology The loan, will be charged at an interest rate that is linked to the LIB OR. The rate will be LIBOR plus the spread the bank would like to maintain. This spread which may be any where from 0.125 percent to 1.5 percent, may remain constant over the life of the loan or may be changed after a certain fixed number of years. In addition, the lead manager's fee, which will be 0.125 percent of the loan, the commitment fee of 0.5 percent on the un drawn loan amount and agent's fee will be the total annual charges. Front-end charges include participation fee for the banks taking part in the loan and the management fees for the underwriting banks 222 and lead banks. These loans will require a bank guarantee and the bank should confirm to the capital adequacy norms. However, there are no other collaterals attached. Indian Scenario While the early '80s saw the Indian PSUs, banks, and FIs raise funds by way of syndicated loans, subsequent rating position of India, did not seem to be congenial for the same. Future borrowings with this method of loan syndication will also depend to a large extent on this sovereign rating.

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262/335	SUBMITTED TEXT	126 WORDS	97%	MATCHING TEXT	126 WORDS

Submitted text:

Offshore banking has been described as “financial intermediation performed primarily for borrowers and depositors who are not residents of the country where the bank is located. Its principal attraction is its freedom from expensive and intrusive official regulation”. In simple words, offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 13

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Offshore banking has been described aptly by Giddy as "financial intermediation performed primarily for borrowers and depositors who are not residents of the country where the bank is located. Its principal attraction is its freedom from expensive and intrusive official regulation". In simple words, offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 223

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264/335	SUBMITTED TEXT	43 WORDS	100%	MATCHING TEXT	43 WORDS

raised $1.18 billion from a consortium of seven banks as the Mandated Lead Arrangers and Bookrunners (MLABs), making it the single largest syndicated loan raised in the international bank loan market by an Indian NBFC 13 . 12.9.5

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W https://www.thehindubusinessline.com/companies/rec-closes-118-billion-term-loan-largest-syndicate ...

265/335	SUBMITTED TEXT	1 WORDS	100%	MATCHING TEXT	1 WORDS

rec-closes-118-billion-term-loan-largest-syndicated- term-loan-by-an-indian-nbfc/

REC closes $1.18 billion term loan; largest syndicated term loan by an Indian NBFC -

W https://www.thehindubusinessline.com/companies/rec-closes-118-billion-term-loan-largest-syndicate ...

266/335	SUBMITTED TEXT	18 WORDS	94%	MATCHING TEXT	18 WORDS

have the option to convert paper into flat interest paying instrument at the end of a period

have the option to convert the paper into flat interest paying instrument at the end of a particular period.

W https://backup.pondiuni.edu.in/sites/default/files/Global-financial-markets%26instrument-260214.pdf

267/335	SUBMITTED TEXT	17 WORDS	75%	MATCHING TEXT	17 WORDS

a bank offers its services of accepting and extending credits to foreign residents in any currency?

a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency.

W https://backup.pondiuni.edu.in/storage/dde/downloads/ibiv_gfm.pdf

268/335	SUBMITTED TEXT	17 WORDS	75%	MATCHING TEXT	17 WORDS

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269/335	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS

https://www.pbs.org/newshour/economy/ask-the-headhunter/what-does-it-mean-that- the-euro-has-fallen-below-parity-with-the- dollar#:~:

https://www.pbs.org/newshour/economy/ask-the-headhunter/what-does-it-mean-that-the-euro-has-fallen-below-parity-with-the-dollar •

W https://www.pbs.org/newshour/economy/ask-the-headhunter/what-does-it-mean-that-the-euro-has-falle ...

270/335	SUBMITTED TEXT	22 WORDS	86% MATCHING TEXT	22 WORDS

The need for external borrowing in a country's economy can be gauged from the National Income and Balance of Payments position"-

The need for external borrowings in a country's economy can be gauged from the national income and balance of payment position.

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271/335	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS

pricing of an international issue would be a factor of interest rates,

Pricing of an international issue would be a factor of interest rates

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272/335	SUBMITTED TEXT	25 WORDS	95% MATCHING TEXT	25 WORDS

the value of the underlying stock in the domestic market. Based on these factors, the issue price conversion premium would be decided. 4. (

the value of the underlying stock in the domestic market. Based on these factors, the issue price conversion (for convertible) premium would be decided.

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273/335	SUBMITTED TEXT	71 WORDS	87% MATCHING TEXT	71 WORDS

a) Fixed Rate Bonds Fixed Rate Bonds are fixed interest-bearing securities which are redeemable at face value. These unsecured bonds which are floated in domestic markets or international markets, are denominated in the respective currency with interest rates fixed based on a certain formula applicable in a given market. The bonds issued in the Euro-market referred to as Euro-bonds, have interest rates fixed with reference to the

a. Fixed Rate Bonds / Straight Debt Bonds: Straight Debt Bonds are fixed interest bearing securities which are redeemable at face value. These unsecured bonds which are floated in domestic markets or international markets, are denominated in the respective currency with interest rates fixed on the basis of a certain formula applicable in a given market. The bonds issued in the Euro-market referred to as Euro-bonds, have interest rates fixed with reference to the

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274/335	SUBMITTED TEXT	37 WORDS	98% MATCHING TEXT	37 WORDS

have the option to convert the paper into flat interest paying instrument at the end of a period. The investor could change his mind and convert the note into perpetual note once again at maturity.

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275/335	SUBMITTED TEXT	23 WORDS	87% MATCHING TEXT	23 WORDS

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277/335	SUBMITTED TEXT	39 WORDS	95% MATCHING TEXT	39 WORDS

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278/335	SUBMITTED TEXT	39 WORDS	95% MATCHING TEXT	39 WORDS

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279/335	SUBMITTED TEXT	35 WORDS	100% MATCHING TEXT	35 WORDS

Offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 10. (

offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 223

W https://backup.pondiuni.edu.in/storage/dde/downloads/ibiv_gfm.pdf

280/335	SUBMITTED TEXT	35 WORDS	100% MATCHING TEXT	35 WORDS

Offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 10. (

offshore banking involves a bank offering its services of accepting deposits from, and extending credit to foreign residents, in any currency. These activities are free from capital controls, taxes and reserve requirements. 223

W https://backup.pondiuni.edu.in/storage/dde/downloads/ibiv_gfm.pdf

281/335	SUBMITTED TEXT 34 WORDS	100% MATCHING TEXT 34 WORDS
	like the policy guidelines of the country on commercial borrowings by individual entities, the exchange control regulations of the country, the interest rate ceilings in the financial sector and the structure of taxation	like the policy guidelines of the country on commercial borrowings by individual entities, the exchange control regulations of the country, the interest rate ceilings in the financial sector and the structure of taxation.

W https://backup.pondiuni.edu.in/sites/default/files/Global-financial-markets%26instrument-260214.pdf

282/335	SUBMITTED TEXT 18 WORDS	62% MATCHING TEXT 18 WORDS
	Objectives After studying this unit, you should be able to ? State briefly the advantages of international	Objectives After studying this unit, you will be able to: Explain the scope of international

W https://ebooks.lpude.in/management/mba/term_4/DMGT549_INTERNATIONAL_FINANCIAL_MANAGEMENT.pdf

283/335	SUBMITTED TEXT 28 WORDS	59% MATCHING TEXT 28 WORDS
	has wiped out from the market value of Chinese companies more than $1 trillion worldwide. The fears about the prospects of future innovation and growth in China	has wiped out more than $1 trillion worldwide from the market value of Chinese companies. It has sent chills through the wider economy and stoked fears about the prospects of future innovation and growth in China. •

W https://edition.cnn.com/2021/11/02/tech/china-economy-crackdown-private-companies-intl-hnk/index.html

284/335	SUBMITTED TEXT 41 WORDS	66% MATCHING TEXT 41 WORDS
	In a survey carried out by the American Chamber of Commerce of Hong Kong in 2021, more than 40 percent of expats had left or decided to leave due to concerns over national security law imposed by China in 2020.	In a survey carried out by the American Chamber of Commerce of Hong Kong last year, more than 40 percent of expats said they were planning to leave or considering it, mostly due to concerns over a draconian national security law imposed by Beijing in 2020,

W https://www.aljazeera.com/economy/2022/6/30/as-china-tightens-grip-hong-kongs-luster-as-world-cit ...

285/335	SUBMITTED TEXT 39 WORDS	62% MATCHING TEXT 39 WORDS
	the return on a security is r i = r f + (r w – r f) Where, r f =	the return on a portfolio is r p = w * r + 11 - w2 * r f = r f +

W https://dtaskin.yasar.edu.tr/wp-content/uploads/2016/09/Geert-Bekaert-Robert-J.-Hodrick-Internati ...

286/335	SUBMITTED TEXT 41 WORDS	42% MATCHING TEXT 41 WORDS
	r i) Var (r w) b. Cov(r i ,r w) Var (r w) c. Cov(r w) Var (r i) d. Cov(r f r i) Var (r	r*4 Var3r4 - E3r4Cov3r, r*4 7 0 or E3r*4 Var3r*4 0.5 7 E3r4 Var3r4 0.5 * Cov3r, r*4 Var3r4 0.5

W https://dtaskin.yasar.edu.tr/wp-content/uploads/2016/09/Geert-Bekaert-Robert-J.-Hodrick-Internati ...

287/335	SUBMITTED TEXT 2 WORDS	83% MATCHING TEXT 2 WORDS
	economy/2022/6/30/as-china-tightens-grip-hong-kongs-luster-as- world-city-dims 30	Economy As China tightens grip, Hong Kong’s luster as ‘world city’ dims

W https://www.aljazeera.com/economy/2022/6/30/as-china-tightens-grip-hong-kongs-luster-as-world-cit ...

288/335	SUBMITTED TEXT	15 WORDS	78% MATCHING TEXT	15 WORDS

The revised FDI policy was aimed at preventing opportunistic takeovers/ acquisitions of Indian companies.

The revised FDI policy is aimed at “curbing opportunistic takeovers/acquisitions of Indian companies

W https://www.thehindu.com/business/Economy/government-nod-mandatory-for-fdi-from-neighbouring-coun ...

289/335	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS

business/Economy/government-nod-mandatory-for-fdi-from-neighbouring-countries/

Business • Economy Government nod mandatory for FDI from neighbouring countries

W https://www.thehindu.com/business/Economy/government-nod-mandatory-for-fdi-from-neighbouring-coun ...

290/335	SUBMITTED TEXT	18 WORDS	97% MATCHING TEXT	18 WORDS

renewable energy ReNew Power opted for the special purpose acquisition company (SPAC) route to list on Nasdaq

renewable energy player ReNew Power opted for the special purpose acquisition company (SPAC) route to list on Nasdaq

W https://timesofindia.indiatimes.com/business/india-business/cos-listing-directly-overseas-may-get ...

291/335	SUBMITTED TEXT	1 WORDS	80% MATCHING TEXT	1 WORDS

business/india-business/cos-listing-directly- overseas-may-get-capital-gains-tax-sop/

Business News • India Business News • Companies listing directly overseas may get capital gains tax sop

W https://timesofindia.indiatimes.com/business/india-business/cos-listing-directly-overseas-may-get ...

292/335	SUBMITTED TEXT	1 WORDS	91% MATCHING TEXT	1 WORDS

business/india-business/india-records-highest-ever- fpi-equity-inflow-in-fy21/

Business News • India Business News • India records highest ever FPI equity inflow in FY21

W https://timesofindia.indiatimes.com/business/india-business/india-records-highest-ever-fpi-equity ...

293/335	SUBMITTED TEXT	27 WORDS	69% MATCHING TEXT	27 WORDS

F(A/B) = S e (A/B) + RP. Where, F(A/B) is the ‘forward rate’ and S e (A/B) is expected ‘future spot rate’.

F(A/B) = S e (A/B) + RP, where F(A/B) is the relevant forward rate and Se(A/B) is the expected future spot rate.

W https://backup.pondiuni.edu.in/sites/default/files/Global-financial-markets%26instrument-260214.pdf

294/335	SUBMITTED TEXT	27 WORDS	69% MATCHING TEXT	27 WORDS

F(A/B) = S e (A/B) + RP. Where, F(A/B) is the ‘forward rate’ and S e (A/B) is expected ‘future spot rate’.

F(A/B) = S e (A/B) + RP, where F(A/B) is the relevant forward rate and Se(A/B) is the expected future spot rate.

W https://dde.pondiuni.edu.in/files/StudyMaterials/MBA/MBA4Semester/IB/1GlobalFinancialMarkets&Inst ...

295/335	SUBMITTED TEXT	16 WORDS	75% MATCHING TEXT	16 WORDS

to buy or sell an asset at a certain date at a certain price.

to buy or sell an underlying asset at a specified date in the future at a certain price.

W https://icmai.in/upload/Students/Syllabus-2008/StudyMaterialFinal/P-12.pdf

296/335	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS

Global Depository Receipt (GDR) is a bank certificate issued in more than one country for shares in a foreign company.

global depositary receipt (GDR) is a bank certificate issued in more than one country for shares in a foreign company.

W https://www.investopedia.com/terms/g/gdr.asp

297/335	SUBMITTED TEXT	22 WORDS	54% MATCHING TEXT	22 WORDS

Infosys' digital core banking which offered Finacle and Santander; UK had announced international cash management platform for the ongoing digital transformation

Infosys' digital core banking offering Finacle and Santander UK have announced the roll out of an international cash management platform as part of the ongoing digital transformation

W https://www.techcircle.in/2021/07/22/infosys-finacle-santander-uk-launch-new-cash-management-platform

298/335	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS

with the increased volatility and complexity of the global business environment,

With the increased volatility and complexity of the global business environment,

W https://www.techcircle.in/2021/07/22/infosys-finacle-santander-uk-launch-new-cash-management-platform

299/335	SUBMITTED TEXT	57 WORDS	61% MATCHING TEXT	57 WORDS

Santander Global Connect a cash management platform designed to support the international growth plans for Santander's corporate and commercial customers. The new cash management platform could provide customers with access to view liquidity, held globally and provide digital capabilities to manage, control, and mitigate cash and business risk in a single portal. Further the platform will

Santander Global Connect is a cash management platform designed to support the international growth plans for Santander's corporate and commercial customers, it added. Loading... The first release of the platform, which is currently in pilot, provides customers with access to view liquidity held globally. Subsequent releases will enable self-service digital capabilities to manage, control, and mitigate cash and business risk, all from a single portal. "This new platform will

W https://www.techcircle.in/2021/07/22/infosys-finacle-santander-uk-launch-new-cash-management-platform

300/335	SUBMITTED TEXT	12 WORDS	95% MATCHING TEXT	12 WORDS

the premium on a foreign currency is equal to the interest

the forward premium on a foreign currency is equal to the interest

W https://dtaskin.yasar.edu.tr/wp-content/uploads/2016/09/Geert-Bekaert-Robert-J.-Hodrick-Internati ...

301/335	SUBMITTED TEXT	19 WORDS	71%	MATCHING TEXT	19 WORDS

A – i B = e ˆ S (A/B) Where, ˆ S(A/B)= expected appreciation of currency

A – i B = S e (A/B) 261 where S e (A/B): Expected depreciation of currency

W https://backup.pondiuni.edu.in/sites/default/files/Global-financial-markets%26instrument-260214.pdf

302/335	SUBMITTED TEXT	19 WORDS	71%	MATCHING TEXT	19 WORDS

A – i B = e ˆ S (A/B) Where, ˆ S(A/B)= expected appreciation of currency

A – i B = S e (A/B) 261 where S e (A/B): Expected depreciation of currency

W https://dde.pondiuni.edu.in/files/StudyMaterials/MBA/MBA4Semester/IB/1GlobalFinancialMarkets&Inst ...

303/335	SUBMITTED TEXT	54 WORDS	55%	MATCHING TEXT	54 WORDS

new digital solutions to reduce their enterprise clients' key B2B payments having offered their clients a single view of cash for real-time cash flow management. Over 55 % of FIs worked to find solutions and another 24% planned to work on as per a report by "The Innovation Gap"; a PYMTNS and FIS

new digital solutions to reduce their enterprise clients' key B2B payments frictions. At the top of their current agenda is offering their clients a single view of cash for real-time cash flow management and forecasting. Fifty-five percent of FIs are currently working to find solutions that will do that, and another 24% plan to work on such a solution, according to "The Innovation Gap," a PYMTNS and FIS

W https://www.pymnts.com/news/b2b-payments/2022/55-percent-financial-institutions-are-working-centr ...

304/335	SUBMITTED TEXT	31 WORDS	69%	MATCHING TEXT	31 WORDS

F(A/B) = S e (A/B) + RP. Where, F(A/B) is the 'forward rate' and S e (A/B) is expected 'future spot rate'. 6. (

F(A/B) = S e (A/B) + RP, where F(A/B) is the relevant forward rate and Se(A/B) is the expected future spot rate.

W https://backup.pondiuni.edu.in/sites/default/files/Global-financial-markets%26instrument-260214.pdf

305/335	SUBMITTED TEXT	31 WORDS	69%	MATCHING TEXT	31 WORDS

F(A/B) = S e (A/B) + RP. Where, F(A/B) is the 'forward rate' and S e (A/B) is expected 'future spot rate'. 6. (

F(A/B) = S e (A/B) + RP, where F(A/B) is the relevant forward rate and Se(A/B) is the expected future spot rate.

W https://dde.pondiuni.edu.in/files/StudyMaterials/MBA/MBA4Semester/IB/1GlobalFinancialMarkets&Inst ...

306/335	SUBMITTED TEXT	26 WORDS	78%	MATCHING TEXT	26 WORDS

monetary and non-monetary items. Monetary items are money held and assets and liabilities to be received or paid in fixed or determinable amounts of

Monetary and non-monetary items Monetary items are defined as units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

307/335	SUBMITTED TEXT	22 WORDS	61%	MATCHING TEXT	22 WORDS

cash, accounts receivables, accounts payable) are translated at the closing rate, and the non-monetary items (like inventory, building) are translated at

cash, accounts payables, accounts receivables are translated at the current exchange rate and the non-monetary items like inventory, fixed assets, long-term investments are translated at

W https://dde.svu.edu.in/study-material/SLM/MCOM_104_International%20Financial%20Management.pdf

308/335	SUBMITTED TEXT	20 WORDS	97%	MATCHING TEXT	20 WORDS

The Effects of Changes in Foreign Exchange Rates IAS 21 – The Effects of Changes in Foreign Exchange Rates

The Effects of Changes in Foreign Exchange Rates • Data IAS 21 The Effects of Changes in Foreign Exchange Rates 2

W https://www.ifrs.org/issued-standards/list-of-standards/ias-21-the-effects-of-changes-in-foreign- ...

309/335	SUBMITTED TEXT	20 WORDS	97%	MATCHING TEXT	20 WORDS

The Effects of Changes in Foreign Exchange Rates IAS 21 – The Effects of Changes in Foreign Exchange Rates

The Effects of Changes in Foreign Exchange Rates Paragraph 21 IAS 21 The Effects of Changes in Foreign Exchange Rates

W https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/ifric ...

310/335	SUBMITTED TEXT	18 WORDS	71%	MATCHING TEXT	18 WORDS

functional currency should be the currency of the primary economic environment in which the enterprise operates.

Functional currency is the currency of the primary economic environment in which the entity operates.

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

311/335	SUBMITTED TEXT	19 WORDS	67%	MATCHING TEXT	19 WORDS

functional currency should be the currency of the primary economic environment in which the enterprise operates. In

Functional currency is defined as the currency of the primary economic environment in which the affiliate operates in

W https://ebooks.lpude.in/management/mba/term_4/DMGT549_INTERNATIONAL_FINANCIAL_MANAGEMENT.pdf

312/335	SUBMITTED TEXT	27 WORDS	79%	MATCHING TEXT	27 WORDS

The Effects of Changes in Foreign Exchange Rates IAS 21 – The Effects of Changes in Foreign Exchange Rates Ind AS 21 – The Effects of

The Effects of Changes in Foreign Exchange Rates December 1993 IAS 21 (1993) The Effects of Changes in Foreign Exchange Rates (revised part of the 'Comparability of

W https://www.iasplus.com/en/standards/ias/ias21

313/335	SUBMITTED TEXT	18 WORDS	71%	MATCHING TEXT	18 WORDS

functional currency should be the currency of the primary economic environment in which the enterprise operates.

Functional currency: the currency of the primary economic environment in which the entity operates. (

W https://www.iasplus.com/en/standards/ias/ias21

314/335	SUBMITTED TEXT	18 WORDS	71%	MATCHING TEXT	18 WORDS

functional currency should be the currency of the primary economic environment in which the enterprise operates.

Functional currency is the currency of the primary economic environment in which the entity operates.

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

315/335	SUBMITTED TEXT 19 WORDS	67% MATCHING TEXT 19 WORDS
	functional currency should be the currency of the primary economic environment in which the enterprise operates. In	Functional currency is defined as the currency of the primary economic environment in which the affiliate operates in

W https://ebooks.lpude.in/management/mba/term_4/DMGT549_INTERNATIONAL_FINANCIAL_MANAGEMENT.pdf

316/335	SUBMITTED TEXT 74 WORDS	99% MATCHING TEXT 74 WORDS
	a foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, including transactions arising when an entity: a. Buys or sells goods or services whose price is denominated in a foreign currency, b. Borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency, or c. Otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.	A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, including transactions arising when an entity (IAS 21.20): (a) buys or sells goods or services whose price is denominated in a foreign currency; (b) borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or (c) otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

317/335	SUBMITTED TEXT 19 WORDS	61% MATCHING TEXT 19 WORDS
	at the spot exchange rate between the functional currency and the foreign currency as on the transaction date.	at the spot exchange rate (i.e. rate for immediate delivery) between the functional currency and the foreign currency at the date

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

318/335	SUBMITTED TEXT 41 WORDS	70% MATCHING TEXT 41 WORDS
	by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency as on the transaction date. The transaction date is the date on which the transaction first qualifies for recognition in	by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph 22 IAS 21 states the date of the transaction is the date on which the transaction first qualifies for recognition in

W https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/ifric ...

319/335	SUBMITTED TEXT 17 WORDS	87% MATCHING TEXT 17 WORDS
	date. The transaction date is the date on which the transaction first qualifies for recognition in	date the transaction is the date on which the transaction first qualifies for recognition in

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

320/335	SUBMITTED TEXT 19 WORDS	76% MATCHING TEXT 19 WORDS
	a. Foreign currency monetary items shall be translated applying the closing rate. b. Non-monetary items that are measured	a) foreign currency monetary items are translated using the closing rate; (b) non-monetary items that are measured

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

321/335	SUBMITTED TEXT	38 WORDS	56% MATCHING TEXT	38 WORDS

of historical cost in a foreign currency shall be translated by applying the exchange rate prevalent as on the transaction date. c. Non-monetary items that are measured at fair value in a foreign currency shall be translated

of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; (c) non-monetary items that are measured at fair value in a foreign currency shall be translated

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

322/335	SUBMITTED TEXT	20 WORDS	55% MATCHING TEXT	20 WORDS

measured at fair value are translated at the exchange rate prevalent at the date when the fair value was

measured at fair value in a foreign currency shall be translated at the date when the fair value was

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

323/335	SUBMITTED TEXT	18 WORDS	71% MATCHING TEXT	18 WORDS

functional currency should be the currency of the primary economic environment in which the enterprise operates.

Functional currency: the currency of the primary economic environment in which the entity operates. (

W https://www.iasplus.com/en/standards/ias/ias21

324/335	SUBMITTED TEXT	18 WORDS	73% MATCHING TEXT	18 WORDS

arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign

arising on the acquisition of that foreign operation are treated as part of the assets and liabilities of the foreign

W https://www.iasplus.com/en/standards/ias/ias21

325/335	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS

at the date when the fair value was determined. Non-monetary

at the date when the fair value was determined. Non-monetary

W https://www.sec.gov/Archives/edgar/data/1441704/000089720416000188/prospectus.htm

326/335	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS

The balance in the 'branch account' in the books of the head office

the balance in the 'branch account' in the books of the head office

W https://icmai.in/upload/Students/Syllabus-2008/StudyMaterialFinal/P-12.pdf

327/335	SUBMITTED TEXT	26 WORDS	66% MATCHING TEXT	26 WORDS

acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the

acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the

W https://www.sec.gov/Archives/edgar/data/1441704/000089720416000188/prospectus.htm

328/335	SUBMITTED TEXT	43 WORDS	77% MATCHING TEXT	43 WORDS

First 5 consecutive assessment years 100% of export profits Next 5 assessment years 50% of export profits Next 5 assessment years 50% of export profits or the amount credited to SEZ Reinvestment Allowance Reserve, whichever is lower. ?

First Five assessment years (1 to 5 years) 100% of Export Profits Next Five assessment years (6 to 10 years) 50% of Export Profits For the next five assessment years (11 to 15 years) 50% of Export Profits (or) the amount credited to the SEZ Reinvestment Allowance reserve, whichever is lower 8.

W https://pioneerone.in/faqs-on-section-10aa-deduction-available-to-units-in-sez/

329/335	SUBMITTED TEXT	61 WORDS	100% MATCHING TEXT	61 WORDS

Similarly, if the amount credited to Special Economic Zone Re-Investment Reserve Account has not been utilised before the expiry of the aforesaid period of 3 years, the amount not so utilised shall be deemed to be the profits of the year immediately following the expiry of the said 3 years and shall be charged to tax in that year. 15.4.1

Similarly, if the amount credited to Special Economic Zone Re-Investment Reserve Account has not been utilised before the expiry of the aforesaid period of 3 years, the amount not so utilised shall be deemed to be the profits of the year immediately following the expiry of the said 3 years and shall be charged to tax in that year 12.

W https://pioneerone.in/faqs-on-section-10aa-deduction-available-to-units-in-sez/

330/335	SUBMITTED TEXT	110 WORDS	100% MATCHING TEXT	110 WORDS

Where any amount credited to Special Economic Zone Re-Investment Reserve Account has been utilised for any purpose other than the purchase of machinery or plant, the amount so utilised shall be deemed to be the profits of the year in which the amount from the reserve is mis-utilised and shall be charged to tax in that year 15

Where any amount credited to Special Economic Zone Re-Investment Reserve Account has been utilised for any purpose other than the purchase of machinery or plant, the amount so utilised shall be deemed to be the profits of the year in which the amount from the reserve is mis-utilised and shall be charged to tax in that year •

W https://pioneerone.in/faqs-on-section-10aa-deduction-available-to-units-in-sez/

331/335	SUBMITTED TEXT	22 WORDS	85% MATCHING TEXT	22 WORDS

Functional currency Functional currency is the currency of the primary economic environment in which the entity operates. 6. (

Functional Currency: Functional currency is defined the currency of the primary economic environment in which the affiliate operates

W https://ebooks.lpude.in/management/mba/term_4/DMGT549_INTERNATIONAL_FINANCIAL_MANAGEMENT.pdf

332/335	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS

the currency of the primary economic environment in which the entity operates. 6. (

the currency of the primary economic environment in which the entity operates. (

W https://www.iasplus.com/en/standards/ias/ias21

333/335	SUBMITTED TEXT	18 WORDS	100% MATCHING TEXT	18 WORDS

Functional currency is the currency of the primary economic environment in which the entity operates. 6. (

Functional currency is the currency of the primary economic environment in which the entity operates.

W https://ifrscommunity.com/knowledge-base/ias-21-effects-of-changes-in-foreign-exchange-rates/

Ouriginal by Turnitin

334/335	SUBMITTED TEXT 150 WORDS	100% MATCHING TEXT 150 WORDS

International Finance Course Structure Block 1: Fundamentals of International Finance Unit 1 Introduction to International Finance Unit 2 Theories of International Trade Unit 3 International Trade Finance in India Unit 4 Balance of Payments Block 2: Foreign Exchange Transactions Unit 5 International Monetary System Unit 6 The Foreign Exchange Market Unit 7 Exchange Rate Determination Unit 8 Exchange Rate Forecasting Block 3: Exchange Risk Management Unit 9 Introduction to Exchange Risk Unit 10 Management of Exchange Risk Unit 11 International Project Appraisal Block 4: International Financial Management Unit 12 International Financial Markets and Instruments Unit 13 International Equity Investments Unit 14 Short Term Financial Management Unit 15 International Accounting and Taxation Block 5: International Trade Unit 16 Trade Blocks Unit 17 Foreign Trade Policy Unit 18 Documentary Credits Unit 19 Export Finance and Exchange Control Regulations Governing Exports Unit 20 Import Finance and Exchange Control Regulations Relating to Import Finance

International Finance Course Structure Block 1: Fundamentals of International Finance Unit 1 Introduction to International Finance Unit 2 Theories of International Trade Unit 3 International Trade Finance in India Unit 4 Balance of Payments Block 2: Foreign Exchange Transactions Unit 5 International Monetary System Unit 6 The Foreign Exchange Market Unit 7 Exchange Rate Determination Unit 8 Exchange Rate Forecasting Block 3: Exchange Risk Management Unit 9 Introduction to Exchange Risk Unit 10 Management of Exchange Risk Unit 11 International Project Appraisal Block 4: International Financial Management Unit 12 International Financial Markets and Instruments Unit 13 International Equity Investments Unit 14 Short Term Financial Management Unit 15 International Accounting and Taxation Block 5: International Trade Unit 16 Trade Blocks Unit 17 Foreign Trade Policy Unit 18 Documentary Credits Unit 19 Export Finance and Exchange Control Regulations Governing Exports Unit 20 Import Finance and Exchange Control Regulations Relating to Import Finance

W https://www.ifheindia.org/dlp/ODL-Programs-Application-30-10-2020.pdf

335/335	SUBMITTED TEXT 36 WORDS	63% MATCHING TEXT 36 WORDS

period for which the certificate as per Sec 90 and 91 is sought ? Address of the assesse in the country or specified territory outside India ? Duration for which the certificate is applicable ?

Period for which the residential status, as mentioned in the certificate is applicable; • Address of the assesse in the country or specified territory outside India, during the period for which the certificate is applicable.

W https://taxguru.in/income-tax/tax-residency-certificate.html