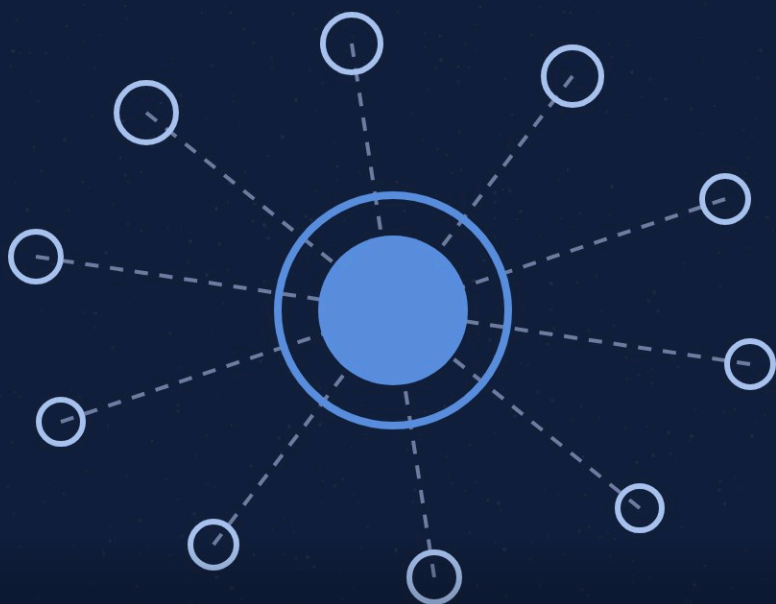


THE MARKETS SHELF · BOOK 1 OF 11

Inside the Exchange

How Indian markets work, from your order to your demat



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How every chapter works

The idea → Why it matters → The method → An example →

Your worksheet → 3-line summary

Included with this book

Printable worksheets: **one for each chapter, the before-you-place-an-order checklist, the trade cost sheet.** Excel files: **Inside-the-Exchange-trade-cost-calculator.xlsx.** All in your download.

1

Who is in the market: exchanges, SEBI, brokers, depositories, clearing

Your order passes through five or six organisations in under a second. Knowing who does what tells you where your money is at each moment, and who to go to when something goes wrong.

IN THIS CHAPTER

- The journey of one order
- The exchange and SEBI
- Your broker
- Clearing corporations and depositories
- Where to complain
- Your worksheet: your market map

By the end, you will be able to

- Draw the path of an order from your phone to your demat account
- Say which organisation holds your money and which holds your shares
- Know where to complain when something goes wrong

THE IDEA

The journey of one order

When Anita taps Buy on her phone, she feels she is buying from the app. She is not. The app belongs to her broker. The broker sends her order to an exchange. The exchange matches it with someone else's sell order. A clearing corporation makes sure both sides pay and deliver. A depository moves the shares into her account.



All of this is supervised by one regulator, the Securities and Exchange Board of India (SEBI).

The one-sentence version

You never buy a share from your broker or from the exchange; you buy it from another investor, through a chain of organisations that each make one part of the deal safe.

Why it matters to you: each link has its own rules, records and complaint desk. When money or shares go missing, the first question is always “which link?”

Link	Holds or does	Its record you can see
Broker	Your cash for trading; sends orders	Order book, trade book, contract note
Exchange	Matches orders	Trade confirmation SMS or email
Clearing corporation	Settles money and shares	(Through your broker)
Depository	Your shares	Monthly statement and debit alerts

THE METHOD

The exchange: a meeting place, not a seller

A stock exchange is a market place with very strict rules. It does not own the shares traded on it and it does not set their prices. It runs the computer that collects every buy and sell order and matches them fairly.

What the exchange does	What it does not do
Lists companies that meet its rules	Promise that a listed company is a good investment
Matches orders by price, then by time	Choose who gets a trade
Publishes every trade price and quantity	Tell you whether a price is fair
Sets trading hours, price bands and lot rules	Give you your shares (the depository does that)
Watches for unusual trading and reports it	Decide penalties (SEBI does that)

India's two main stock exchanges are the National Stock Exchange (NSE) and BSE (formerly the Bombay Stock Exchange). Most companies are listed on both, so the same share can trade on either at almost the same price.

Trading hours (as of 2026)

Equity trading runs from 9:15 am to 3:30 pm on working days, after a short pre-open session from 9:00 am in which orders are collected and an opening price is found. Hours and sessions are set by the exchanges and can change: check their websites.

Myth: “The price on NSE and BSE can be very different, so I can buy on one and sell on the other.” For actively traded shares, professional traders close such gaps within moments.

THE METHOD

SEBI: the referee

SEBI writes the rules for everyone in the securities market: exchanges, brokers, depositories, mutual funds, investment advisers, research analysts and listed companies. It inspects them, investigates complaints and unusual trading, and can fine people, ban them from the market or order them to give up unlawful gains.

What SEBI does for you

- Registers brokers, advisers and analysts
- Sets rules on disclosure and fair dealing
- Runs an online complaint system
- Bans and fines people who break the rules

What SEBI cannot do

- Stop prices falling
- Recover losses from a bad decision you made
- Protect money you gave to an unregistered person
- Approve a company as a good buy

Two SEBI ideas appear again and again on this Shelf. First, only registered advisers and research analysts may recommend what to buy or sell. Second, people who are not registered may teach, but (under a January 2025 rule) only with price data at least three months old, so that “education” cannot be used to give live tips.

The rule this book follows: ProShelf is not registered as an adviser, so every chart in this Shelf uses invented example data or a dated event from the past.

Check anyone before you trust them: SEBI's website lists every registered intermediary. Book 11, *Spot the Trap*, shows how to check, step by step.

THE METHOD

Your broker: your door into the market

Only members of an exchange can send orders to it. Your broker is that member (or works through one). The app on your phone is the broker's front door; behind it the broker checks that you have the money or shares, applies its own risk rules and passes the order to the exchange.

Your broker also...	What to look for
Holds the money you add before trading	Funds you are not using are sent back periodically, as rules require
Usually acts as your depository participant	Your demat account is with a depository, through the broker
Sends a contract note for every trading day	The legal record of each trade and its charges
Lends money for some trades (margin)	Interest and the risk of forced selling (Chapter 7)
Offers research, tips or 'baskets'	Check whether the person giving the advice is SEBI-registered

Example (invented): Anita opens her account

Anita chooses a large discount broker. She completes KYC online with her PAN, Aadhaar-based e-sign and a short video check. She gets two accounts at once: a trading account (to place orders) and a demat account (to hold shares). She links one bank account to move money in and out.

Read the contract note. It is the one document that shows exactly what you bought or sold, at what price and with what charges. Keep every one; Chapter 8 shows how to check it.

THE METHOD

Clearing corporations: the promise behind every trade

When Anita buys 40 shares from a stranger, what stops the stranger from not delivering? And what stops a buyer from not paying? The answer is the clearing corporation, a separate company linked to each exchange.

- 1 It steps into the middle.** After the match, the clearing corporation becomes the buyer to every seller and the seller to every buyer. This is called novation.
- 2 It collects margins.** Brokers must deposit money and securities in advance, so that a defaulting member's deposit covers its losses.
- 3 It settles.** On settlement day it collects money from buyers and shares from sellers, and pays each side.
- 4 It keeps a fund for defaults.** A core settlement fund absorbs a member's failure before it reaches other investors.

What this means for you

You never need to know who sold to you. Your counterparty is, in effect, the clearing corporation, and its job is to make sure the trade completes even if one broker fails.

What it does not cover: money you leave with a broker that misuses it. Rules on segregating client money and the exchanges' investor protection funds help, but the safest money is money that goes back to your bank when you are not using it.

THE METHOD

Depositories and your demat account

Shares in India are held electronically. Two depositories, NSDL and CDSL, keep the records: who owns how many shares of which company. Your demat account is your page in that register, opened through a depository participant (usually your broker or bank).

Your trading account Holds cash for trading and shows your orders and positions. It belongs to your broker's systems.	Your demat account Holds your shares, bonds, ETFs and some mutual fund units. It belongs to the depository's records, even if your broker shows it in the app.
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Check	How
Are my shares really in my name?	The depository's monthly statement (sent by email) lists every holding
Did anything leave without my knowing?	Depositories send alerts for every debit; read them
Can my broker sell my shares?	Only with an instruction you signed (DDPI), and only for defined purposes
What if my broker shuts down?	Shares stay in your demat; you move them to another participant

The safe habit: once a month, match your broker app's holdings with the depository's own statement. They should be identical.

USE IT

Where to go when something goes wrong

Most problems are fixed fastest at the first link in the chain. Go up the chain only when the link below has not answered.

Problem	First stop	Next stop
Order rejected, app down, wrong charge	Broker's support desk (keep the ticket number)	Exchange investor services, then SEBI's complaint system
Shares missing from demat	Depository participant (broker or bank)	The depository (NSDL or CDSL), then SEBI
Company did not pay a dividend or credit a bonus	The company's registrar (RTA)	SEBI's complaint system
Someone promised returns or gave tips for money	Do not pay more; keep records	SEBI; cyber-crime helpline if money was taken

Write it down

Note the date, time, order number and screenshots. A complaint with an order number gets answered; one that says "my money is gone" gets questions.

Online dispute resolution: since 2023, unresolved disputes with market intermediaries can go to an online conciliation and arbitration platform linked to SEBI's complaint system. Check SEBI's website for the current process.

Speed matters when money has gone to a fraudster. Report the same day: Book 11 has the steps.

APPLY IT · YOUR MARKET MAP

Your own market map

Fill this in with your real accounts. It takes ten minutes and saves hours when something goes wrong.

1 Broker name, client ID and support contact

2 Depository (NSDL or CDSL) and your demat account number (BO ID)

3 Bank account linked for money in and out

4 Where your contract notes arrive (email address) and where you keep them

5 Which alerts you get: SMS, email, app (and from whom)

6 Who else can act on your account (nominee, power of attorney, DDPI)

Example (invented): Anita's map

Broker: a discount broker, client ID on her profile page.

Depository: CDSL, BO ID saved in her password manager.

Bank: salary account. Contract notes: personal email, saved monthly to a folder. Alerts: SMS from the depository and the exchange. Nominee: her husband.

CHAPTER 1 IN 3 LINES

What to remember

- 1 Your order passes through a broker, an exchange, a clearing corporation and a depository, all under SEBI.
- 2 You buy from another investor; the clearing corporation stands between you and makes the trade complete.
- 3 Your shares sit in a depository in your name; check its statement against your app every month.

KEY WORDS**Exchange**

The market place that matches buy and sell orders (NSE, BSE).

Clearing corporation

Becomes buyer to every seller and seller to every buyer, and settles trades.

Depository

Keeps the electronic record of who owns which securities (NSDL, CDSL).

Common mistakes

- Thinking your broker is the seller
- Never reading contract notes
- Leaving idle money with a broker for months

Try this week

- Fill in your market map
- Find your latest depository statement and match it with your app
- Save your broker's support contact and complaint link

Quick self-check: Anita's app shows 40 Kaveri Textiles shares, but her depository statement does not. Which link does she contact first, and what does she ask? Model answers are in the toolkit.

Next: **Chapter 2 · Shares, indices and what the Nifty and Sensex really measure**

You've just read Chapter 1 of Inside the Exchange.

The full book has 8 chapters, 10 worksheets and 91 pages. It is Book 1 of The Markets Shelf: 11 short, practical books on one subject, sold together.

STILL TO COME IN INSIDE THE EXCHANGE

2 Shares, indices, Nifty and Sensex

3 Order types

4 The order book

5 Settlement and your demat

6 Circuit limits and halts

7 IPOs, delivery, intraday and margin

8 The true cost of a trade

THE 11 BOOKS IN THE MARKETS SHELF

1 Inside the Exchange

2 What the Candles Say

3 Trends and Turning Points

4 Patterns Worth Knowing

5 Indicators in Their Place

6 Follow the Volume

7 Risk Before Reward

8 Futures and Options, Honestly

9 Your Mind on the Market

10 Test It First

11 Spot the Trap

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