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B.Com Honours | Semester V | Calicut University

FUNDAMENTALS OF INVESTMENT BANKING

Course Code: COM5EJ315 • Module 1 Notes

Module I: Introduction to Investment Banking & Regulatory Framework

Covers concepts of investment banking, distinction from commercial banks, functional divisions, advisory services, global regulatory environment (Dodd-Frank, EMIR, MiFID II), and SEBI regulations in India.

Unit 1: Investment Banking Concept & Commercial Bank Distinction

Investment Banking: Financial division/institution providing capital raising (underwriting), corporate advisory, mergers & acquisitions (M&A), & trading services to corporations & governments.
Distinction: Commercial banks accept public deposits & issue loans; investment banks act as intermediaries issuing securities in capital markets.

Unit 2: History, Functions, & Operations of Investment Banks

Functions: Primary Market Underwriting (IPO/FPO), M&A Advisory, Equity Research, Proprietary Trading, & Asset Management. Divisions: Front Office (Client Coverage/IBD), Middle Office (Risk Management & Compliance), & Back Office (Operations & Settlement).

Unit 3: Fund-Based vs Fee-Based Advisory Services

Fund-Based Services: Venture Capital, Private Equity investments, Underwriting commitments, & Equipment Leasing.
Fee-Based Services: Merchant Banking, Corporate Restructuring Advisory, Portfolio Management Services (PMS), & Issue Management.

Unit 4: Global Regulatory Reforms (Dodd-Frank, EMIR, & MiFID II)

Post-2008 Financial Crisis Reforms: Dodd-Frank Wall Street Reform Act (Volcker Rule restricting proprietary trading), EMIR (mandatory clearing of OTC derivatives), & MiFID II (unbundling research payments from trade execution commissions).

Unit 5: SEBI Regulations for Investment Banking in India (Part I)

Key Regulations: SEBI (Merchant Bankers) Regulations 1992 (Registration Category I to IV & Net Worth rules), SEBI (ICDR) Regulations 2018 (IPO pricing, book building, lock-in), & SEBI (LODR) Regulations 2015.

Unit 6: SEBI Regulations for Investment Banking in India (Part II)

Specialized Regulations: SEBI (Foreign Portfolio Investors) Regulations 2019, SEBI (Research Analyst) Regulations 2014, & SEBI (Investment Adviser) Regulations 2013 (Fiduciary duties & fee disclosures).

Unit 7: Industry Standards & AIBI Code of Conduct

Association of Investment Bankers of India (AIBI): Self-regulatory industry body. AIBI Code of Conduct: Due diligence standards, conflict of interest avoidance, fair disclosure, & high professional integrity.

Practical Case Framework 1 (Commercial Banks vs Investment Banks Comparison Matrix): Compare primary revenue source, risk exposure, regulatory agency, and core client base.

Commercial Banks vs Investment Banks Comparison Table:

Operational Dimension	Commercial Banking	Investment Banking
Primary Revenue Model	Net Interest Margin (NIM = Interest Earned - Paid)	Underwriting fees, advisory fees, & trading gains
Core Client Base	Retail individuals & small business borrowers	Large corporations, institutional investors, & governments
Capital Market Function	Accepts deposits & extends credit loans	Underwrites & distributes equity/debt securities
Indian Regulatory Body	Reserve Bank of India (RBI)	Securities & Exchange Board of India (SEBI)

Practical Case Framework 2 (SEBI Merchant Banking Regulations Summary Matrix): Detail SEBI regulation title, key compliance directive, and investment banking impact.

Indian Investment Banking Regulations Table:

SEBI Regulation Title	Key Statutory Compliance Requirement	Investment Banking Impact
SEBI (Merchant Bankers) 1992	Mandatory Category I registration & ₹5 Crore Net Worth	Authorizes Lead Manager role in IPOs
SEBI (ICDR) Regulations 2018	Book Building 75% QIB allocation & 3-year lock-in	Governs primary equity issue structuring
SEBI (LODR) Regulations 2015	Quarterly financial disclosures & Board composition	Ensures post-listing corporate governance