

**Hand book
on
Exchange Traded Funds
(ETFs)**



Buy Or Sell

Nifty, Gold and other equity indices

Learn more

about this investment vehicle called

Exchange Traded Funds (ETF)

It can change the way you invest

Exchange Traded Funds (ETFs)

Yes now we have many Exchange Traded Funds listed on National Stock Exchange which can change the way you invest.

ETFs are essentially mutual fund schemes or index funds that are listed and traded on the exchange like stocks. ETFs are priced continually and can be bought or sold through out the trading day. Buying / Selling ETFs is as simple as buying/selling any other stock on the exchange allowing the investors to take advantage of intra day price movements. Other advantage of ETF is you can buy even one unit and hence take exposure in entire index at very low amounts.

ETF can be bought / sold just by a call to the broker or through the internet trading account. This provides investors the power to react swiftly to changes in the market and place limit orders while trading. ETFs can be held in your DP account with the other portfolio holdings.

Thus, with ETFs, one can benefit both from the flexibility of a stock as well as the diversification.

Advantages of ETFs:

- Buy and Sell Just like a share
- Buy and Sell at real time prices
- One can put limit orders
- Delivery in your demat account
- Minimum trading lot just one unit

Uses of ETFs:

Due to unique structure of ETFs, all types of investors whether retail or institutional, long term or short term, can use it to their advantage.

- Individuals
- Corporate
- Institutions

Costs

Since ETFs are traded on an exchange, the only costs for an investor are brokerage commissions, management fees and taxes.

Some popular classes of ETFs

Equity Index ETF

Equity index ETFs are funds whose unit price is derived from basket of capital market securities. These baskets of securities differ depending upon the nature of ETF for example value of NIFTYBeEs or UTISUNDER is derived from securities that comprises NIFTY index.

Uses

- Use it to build a long term core holding of equity by systematically investing in various index funds like Nifty ETF, Nifty Junior ETFs, Nifty Sharia ETF, Bank ETF etc
- If bullish on market, just buy a Index ETF and no need to do individual stock picking
- If you have some stock in your portfolio, just do a switch trade by selling the stocks in your portfolio and buying an Index ETF of your choice

Advantages

- Buy the Index as a Share
- Real time NAV and prices close to 1/10 of the Index value
- No Hassles of margin calls (like futures)
- Low expense ratio
- Taxation is like a share (long term Capital Gain is Zero and Short Term is 15%)
- Listed and Traded on NSE with a minimum lot size of 1 unit

Gold ETF

Gold ETFs are units representing physical gold, which may be in paper or dematerialized form. These units are traded on the exchange like a single stock of any company.

Uses

- to keep Gold as part of your portfolio, invest in Gold ETFs
- to accumulate Gold for social obligations, buy a Gold ETF and you can sell them to purchase jewellery or other forms of gold when you desire.

Advantages

- Price approximately equal to one gram of Gold
- Backed by physical Gold holding of 0.995 purity
- No wealth Tax
- Long term capital gains after one year
- No STT

- No storage issues and fear of theft
- Near wholesale price for buying and selling even one unit compared to huge premium for buying small amounts of physical Gold
- Listed and Traded on the NSE with a minimum lot size of 1

Liquid ETF

Liquid ETFs are funds whose unit price is derived from Money market securities comprising of government bonds, treasury bonds, call money market etc. The fund seeks to deliver reasonable market related returns with lower risk and higher liquidity through portfolio of debt and money market instruments.

Uses

- Park ideal cash between two trades
- Can be used as cash equivalent margin for NSE Cash segment and Derivative segment with 10% haircut

Advantages

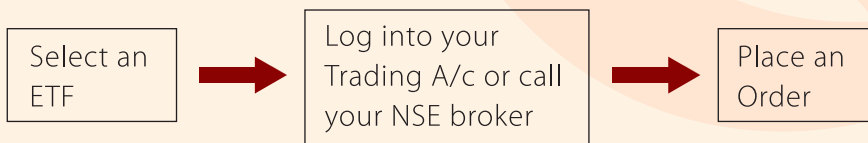
- NAV per unit is maintained at Rs. 1000/-
- Daily returns are passed on as dividend
- The dividend after Dividend Distribution Tax is reinvested in Units
- No STT
- Listed and Traded on the NSE with a minimum lot size of 1

ETFs v/s Stocks & Mutual Fund

Functionality	ETFs	Stocks	Mutual Fund Unit
Real time trading and pricing throughout market hours	✓	✓	✗
Ability to put limit orders	✓	✓	✗
Can be purchase through NSE broker and/or online trading a/c	✓	✓	✗
Can be traded real time on the NSE	✓	✓	✗
Is Arbitrage possible between Futures and Cash Market	✓	✓	✗
Is Diversification possible with a single unit	✓	✗	✓
Returns at par with the market / Index	✓	✗	✗
Intra day trading	✓	✓	✗
Paper less investing	✓	✓	✗
Exit Load	✗	✗	✓

How to Invest in ETFs

Trading in Gold ETFs is very simple. It is similar to how you trade in equity shares. You can trade from your existing trading account with your broker or register yourself with a broker having membership of the NSE, fill up the KYC form, open a demat account, post margins and then commence trading.



ETFs are in dematerialized form and settled like any other share in the T+2 rolling settlement.

ETFs on NSE

Listed ETFs on the NSE

Equity ETFs

ETF NAME	NSE SYMBOL	UNCERLYING INDEX	PRICING (PER UNIT)	LISTING DATE	FUND HOUSE
Nifty BeES	NIFTYBEEES	S&P CNX Nifty Index	1/10th of Index	8th Jan, 2002	Benchmark Mutual Fund
Junior Nifty BeES	JUNIORBEEES	CNX Nifty Junior Index	1/100th of Index	6th Mar, 2003	Benchmark Mutual Fund
Bank BeES	BANKBEEES	CNX Bank Index	1/10th of Index	4th June, 2004	Benchmark Mutual Fund
PSUBNBKBEES	PSUBNBKBEES	CNX PSU Bank Index	1/10th of Index	1st Nov, 2007	Benchmark Mutual Fund
SHARIABEEES	SHARIABEEES	S&P CNX Nifty Shariah Index	1/10th of Index	1st April, 2009	Benchmark Mutual Fund
S&P CNX Nifty UTI Notional Depository Receipts Scheme (SUNDER)	UTISUNDER	S&P CNX NIFTY Index	1/10th of Index	16th July, 2003	UTI Mutual Fund
KOTAKPSUBK	KOTAKPSUBK	CNX PSU Bank Index	1/10th of Index	16th Nov 2007	Kodak Mutual Fund
RELBANK	RELBANK	CNX PSU Bank Index	1/10th of Index	27th June, 2008	Reliance Mutual Fund
QNIFTY	QNIFTY	S&P CNX NIFTY Index	1/10th of Index	18th July, 2008	Quantum Mutual Fund

Liquid ETFs

ETF NAME	NSE SYMBOL	UNCERLYING INDEX	PRICING (PER UNIT)	LISTING DATE	FUND HOUSE
Liquid BeES	LIQUIDBEEES	Crisil Liquid Fund Index	Rs. 1000 (Face Value)	16th July, 2003	Benchmark Mutual Fund

Gold ETFs

ETF NAME	NSE SYMBOL	UNCERLYING INDEX	PRICING (PER UNIT)	LISTING DATE	FUND HOUSE
GOLDBEES	GOLDBEES	Spot Gold	Approx. 1 gram of gold	19th Mar, 2007	Benchmark Mutual Fund
GOLDSHARE	GOLDSHARE	Spot Gold	Approx. 1 gram of gold	17 April, 2007	UTI Mutual Fund
KOTAKGOLD	KOTAKGOLD	Spot Gold	Approx. 1 gram of gold	8th Aug, 2007	Kotak Mutual Fund
RELGOLD	RELGOLD	Spot Gold	Approx. 1 gram of gold	26th Nov, 2007	Reliance Mutual Fund
QUANTUM GOLD	QGOLDHALF	Spot Gold	Approx. 1/2 gram of gold	28th Feb, 2008	Quantum Mutual Fund
SBIGETS	SBIGETS	Spot Gold	Approx. 1 gram of gold	28th May, 2009	SBI Mutual Fund

Disclaimer

Market conditions can lead to substantial profit or loss. Investors are advised to seek adequate product and market knowledge as well as proper investment advice before trading in ETFs.

The material provided here is for general information purpose only. While care has been taken to ensure accuracy, the information is furnished to reader with no warranty as to the accuracy or completeness of its content and on condition that any changes, omissions or errors shall not be made the basis for any claim, demand or cause for action.

"S&P®" and "Standard and Poor's®" are trademarks of the McGraw-hill Companies, Inc. ("S&P"), and have been licensed for use by India Index Services & Products Limited in connection with the S&P CNX Nifty Index. "The Product is not sponsored, endorsed, sold or promoted by India Index Services & Products Limited ("IISL") or Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"). Neither IISL nor S&P makes any representation or warranty, express or implied, to the owners of the Product or any member of the public regarding the advisability of investing in securities generally or in the Product. Please read the full Disclaimers in relation to the S&P CNX Nifty Index in the Offer Document / Prospectus / Information Statement."

ETFs at Zerodha:

Zerodha provides every customer a brilliant opportunity to buy/sell ETFs using our trading platform, reducing costs and increasing profitability.

Currently we provide CNC benefit to all our clients on ETFs. This means that once an ETF is bought, it is transferred to the customer's demat account on T + 2 basis.

ETF's are considered as stock/security as long as they satisfy the below conditions:

- a) They are traded on the exchange
- b) Member has the asset with them
- c) If the ETF is liquid

ETFs can also be used as collateral for cash margin at Zerodha. The haircut is only around 10% and the customer can avail great margin benefits.