Amer and nasdaq comparison

Both AMEX and NASDAQ are stock exchanges that have evolved from the demands of the times. AMEX or the American Stock Exchange started out as a stock exchange in the streets, or in the curb to be more precise, dealing stocks of companies that are not important enough to be a member of the New York Stock Exchange (NYSE) (Psst, n. d., para. 6 and 7). NASDAQ or National Association of Securities Dealers Automated Quotations System, on the other hand, was born after the advent of the computer age, answering the call oftechnology-based companies for a stock exchange of their own. Because of this, NASDAQ's procedures differ from AMEX significantly ((Psst, n. d., para. 8 and 9).

Another similarity between the two exchanges is their common competitor, the NYSE. The biggest companies are traded in the NYSE which accounts for its popularity. There are on-going plans to merge AMEX and NASDAQ in the quest of making a stock exchange that is more competitive with the ever popular NYSE (Psst, n. d., para. 12). The two exchanges can compliment each other because of the different ways by which they conduct their business. These differences will be discussed in the later part of this paper.

AMEX and NASDAQ each cater to a specific type of company. NASDAQ is preferred by firms like Microsoft, Intel and Apple (Psst, n. d., para. 9). These companies are involved mainly in technology. They are more comfortable with the system used by NASDAQ since it is an exchange that uses computers in its operations. Since AMEX was created as an answer to companies who cannot get into the NYSE, AMEX listings include small and mid-cap companies, companies that are not qualified to join the NYSE. AMEX has an impressive listing of options and exchange traded trusts. AMEX " specializes in energy companies, start-ups and biotech firms" (Investigator guide staff, n. d., para. 1).

The differences between the operations of the two exchanges are many. AMEX operations is similar to that of a traditional exchange. There is a floor where the buying and selling takes place. Buying and selling are done personally with buyers and sellers gesturing their offer and acceptance. The system is more personal, the buyers and sellers interacting face-to-face. In fact, AMEX started by trading in the curb only to move on to a building of its own with its own " floor". NASDAQ uses electronics in its operations. NASDAQ does not have a trading floor where buyers and sellers meet to conduct trade. Buyers use telephones and computer terminals which contains the information on the securities being traded in real time.

NASDAQ used to be considered as an " Over the Counter Exchange", but as the term evolve over the years, NASDAQ is no longer considered as such. Initially, " Over the Counter Exchanges" are those which conduct trading without " trading floors" (Investigator guide staff, n. d., para. 3). Now, the term only refers to exchanges that trade stocks that do not qualify in any of the major exchanges (Investigator guide staff, n. d., para. 3). Since NASDAQ is considered a major exchange, it is no longer considered an " Over the Counter Exchange". As stated above, the companies dealing in technology find the system of NASDAQ more efficient than that of AMEX.

The system of NASDAQ, allows for a " spread" which is kept by the buyer or stock broker as part of his profit. A spread is the difference between the selling price and buying price. Under NASDAQ's system, dealers and brokers are able to sell directly to the buyers through computers and are not required to disclose the amount with which sellers are willing to sell their securities. Dealers and stockbrokers can increase such cost provided there are buyers willing to buy the same, any difference is theirs to keep. Because the system is prone to abuse, the government has enacted regulations to govern trading done through this system. (Psst, n. d., para. 13 -16).

Because of the difference with which the two exchanges conduct their operations, the companies registered under them are from different industries. As mentioned above, NASDAQ specializes in companies engaged in technology, such as Microsoft and CISCO. On the other hand, AMEX specializes in energy companies and biotech firms.

The collapse of Worlcom, Inc. and the conviction of its Chief Executive led to many losses not just in the telecoms industry but also in other industries. The fiasco that was Worldcom led to the revival and enactment of the Sarbanes-Oxley Act of 2002 (Belson 2005).. This piece of legislation provided for very specific accounting and auditing guidelines and detailed corporate disclosure. While this legislations aims to protect investors from the creative and dubious accounting practices of some corporations, corporations find the law stifling (Belson 2005).

Worldcom continued to exist after the fiasco, reverting to its former name MCI. While it used to be a huge corporation that gobbles up smaller telecoms on its path to dominance, it struggled to survive in a much diminished state. The bankruptcy of the company meant that many people lost their jobs, savings and retirement benefits. Many of those who had worked for the company for a long time found themselves starting over again.

During its heyday, Worldcom tactics has forced AT&T and other telecom companies to drastically lower the costs of their services to be competitive (Belson 2005). AT&T needed to cut cost by reducing its work force. These events and several ill-timed investments led to the decline of the once mighty AT&T, a decline from which it never fully recovered.

Reference

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