

Free essay about capital market and the sec

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Capital market can be defined as a market wherein sellers and buyers indulge within trade of financial securities such as stocks and bonds. In capital market, participants like institutions and individuals carry out the selling and buying. Capital market comprises of secondary and primary markets. Secondary markets involve the exchange of previously-issued or existing securities, whereas primary markets handles the trade of new or novel issues of stock as well as other securities. Capital markets assist channel excess funds from savers or investors to organizations, which then invest such funds into productive use. Overall, capital market trades in securities of long-term.

Capital markets are sufficient and a significant source for mobilizing or marshaling idle savings or resources from the economy. Capital market mobilizes resources from persons for productive investment in the economy. Consequently, it activates or enhances ideal monetary resources as well as properly puts them in investments. In summary, vibrant and advanced capital market leads to full utilization of resources, particularly financial resources. Moreover, offers access to the oversea capital for home or domestic industry. Therefore, capital market plays a positive role within the overall growth of the economy.

The SEC (Security and Exchange Commission) was established with the goal of re-establishing confidence of the consumer within the investors' markets through ensuring they functioned fairly, additionally, that a truthful and plentiful investment information were offered to the public. The three main roles of Security and Exchange Commission are maintaining efficient and fair markets, facilitating capital formation, and protecting investors.

The Sarbanes-Oxley Act compels the SEC to carry a study or research on the approval by the US financial reporting structure of a principle dependent accounting system. Businesses became ethical subsequent to Sarbanes-Oxley Act, because; it compelled CEOs and CFOs in attesting that they had assessed or reviewed the 10-K and 10-Q reports. As a result, it made it impracticable for them to argue or claim ignorance in the case of a lawsuit that possibly cleaned up or minimized errors in financial reporting. This made CFO and CEO accountable and responsible for every financial disclosure as well as related controls. Moreover, it increased engagement and professionalism on the side of business or corporate audit committees.