

# Services provided by stock exchange



essay: Services Provided by Stock Exchange essayIPO Stock Exchange is the place where the buyers and sellers meet to trade.

This is the place where exactly trading takes place and it is under control of the Securities Board of that respective country. To a company in quest of finance, it provides the platform to raise the long-term funds. No company is allowed to raise long-term funds through IPO or FPO unless it has listing agreement (s) with the stock exchanges, where its securities will be tradable.

A stock Exchange provides following services:(a) It is one of the most important sources to raise money for companies. This allows businesses to be publicly traded, or raise additional financial capital for expansion by selling shares of ownership of the company in a public market.(b) It provides liquidity to investors to quickly and easily sell securities. This is an attractive feature of investing in stocks, compared to other less liquid investments such as real estate.(c) It indicates the health of an economy as well as a particular company.

(d) Share prices affect the wealth of households and their consumption.

Therefore, central banks tend to keep an eye on the control and behaviour of the stock market and, in general, on the smooth operation of financial system functions.(e) Exchanges also act as the clearinghouse for each transaction, meaning that they collect and deliver the shares, and guarantee payment to the seller of a security. This eliminates the risk to an individual buyer or seller that the counterparty could default on the transaction.(f) It leads to economic growth and increased prosperity as lower costs and enterprise risks promote the production of goods and services as well as employment. Relation of the stock market to the modern financial system.

The top three stock exchanges of the world are: a. New York Stock Exchange (NYSE) is the most prestigious exchange in the world. The “ Big Board” was founded more than 200 years ago in 1792 and is the largest stock exchange in the world by dollar volume and over 2500 listed securities. It is operated by NYSE Euro next, the holding company created by the combination of NYSE Group, Inc. and Euro next N. V.

NYSE is a world leader in listings, trading in cash equities, equity and interest rate derivatives, bonds and the distribution of market data. b. Tokyo Stock Exchange is the second largest stock exchange market in the world by market value.

It lists 2, 271 domestic companies and 31 foreign companies, with a total market capitalization of over 5 trillion USD. c. London Stock Exchange – the worlds oldest stock exchange and one of the top three stock exchanges in the world. Lists around 3000 companies. Total equity turnover value of more than British Pound 3.

5 billion. Stock market prices are expressed in terms of their respective indexes of the companies listed on them – such as the American S&P 500, the Japanese Nikkei 225, the Russian RTSI, the Indian SENSEX and the British FTSE 100. In India two stock exchanges are Bombay Stock Exchange (BSE) (established in 1875) and National Stock Exchange of India (NSE). BSE is older of the two. The Indices of the two exchanges are known as Sensex (30 most traded company price index) and Nifty (fifty most traded company price index).

Earlier the trading used to take place manually and through physical exchange of securities. But both of them are now traded on-line, and thus are virtual stock exchanges. In the process of modernization now it has been mandatory for every investor to have a dematerialized account opened with any of the depository Participants (DP). Dematerialized account (demat account) is to store stocks in electronics form.

It is just like opening a bank account to store your money. Now nobody is interested to keep shares in physical forms and going for electronic based filing of shares. A demat account is to be opened with any one of the depository participants (DP). A DP connects investors with the depositories. In India we have two depositories – NSDL (National Securities Depository Ltd) and CDSL (Central Depository Services Ltd). essay? essay -X