

THE STOCK EXCHANGE MARKET

This is a market whereby the buying and selling of shares and other securities takes place. Shares are the smallest units of capital that can be sold to persons by a company for them to become share holders. Other securities traded in this market includes debentures (a unit of loan sold by the companies to the members of the public), government bonds (a long term borrowing certificate by the government from its people) and government treasury bills (a short term borrowing certificate by the government from its people).

Common terms used in stock exchange

- i) Securities:- a document certifying that one has lent money to the issuer (the person borrowing the money)
- ii) Broker:- a person/firm registered by the capital market authority (CMA) to buy and sell shares and other securities on behalf of their clients
- iii) Jobber:- a person/firm who buys and sell shares and other securities with an aim of making a profit
- iv) CDSC account:- Central Depository Settlement Corporation account for mobilizing the shares and securities to be traded on at the market

In the stock exchange market only registered/listed/quoted companies are allowed to sell their shares. A quoted/listed company is a company that has been registered as a member of the stock exchange market.

The quoted companies can sell their shares through the Initial Public Offer (I.P.O) or normal trading in the market.

IPO is the initial price that the company will float its shares to the members of the public to buy/subscribe to for the first time. These shares are said to have been issued in the primary market. After the IPO the shares are then accumulated as stock and traded on in the stock exchange market (secondary market).

All the trading of the shares is done through the company's agents or brokers.

Procedure of buying shares;

- i. Opening a CDSC account through broker
- ii. Filling in the purchase order form by stating the type and the number of shares to be bought
- iii. The broker identifies and negotiate with the willing buyer
- iv. The shares are then paid for through brokers at a commission
- v. Shares are then transferred and credited in the buyers CDSC account

Procedure for selling shares;

- i. Opening a CDSC account through broker
- ii. Filling in the sales order by stating the price and the number of shares to be sold

- iii. The buyer identifies and negotiate with the willing buyer
- iv. The buyer pays for the shares through the broker
- v. Shares are transferred and credited in the buyer's CDSC account with the sellers CDSC account being debited

Roles of stock exchange market

They perform the following roles;

- They facilitate the buying of shares by creating a conducive environment for the investors who want to buy shares.
- They facilitate the selling of shares by creating a ready market for those who wish to sell their shares
- They safeguard the investors' interest by ensuring that the companies to be listed have met a given standard of performance. If not they will be deregistered
- Assist the company to raise capital through IPO or sales of shares in the market
- Provide useful information to the investors which is always timely and accurate to assist them in their decision making
- They create employment opportunity to those who facilitate the buying and selling of the shares such as jobbers, brokers, etc
- They help the government in raising the revenues in terms of fees and rents to the government
- They avail variety of securities for the investors to choose from before investing.
- They measure the country's economic progress through checking the performance of the stock, which may be an indicator of the economic performance.