

SUBJECT- BUSINESS ORGANISATION

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### STOCK-EXCHANGE: MEANING

A Stock exchange, securities exchange, or bourse, is an exchange where stockbrokers and traders can buy and sell securities, such as shares of stock, bonds, and other financial instruments. Stock exchanges may also provide facilities for the issue and redemption of such securities and instruments and capital events including the payment of income and dividends. Securities traded on a stock-exchange include stock issued by listed companies, unit trusts, derivatives, pooled investment product and bonds. Stock exchanges often function as "continuous auction" markets with buyers and sellers consummating transactions via open outcry at a central location such as the floor of the exchange or by using an electronic trading platform.

To be able to trade a security on a certain stock exchange, the security must be listed there. Usually, there is a central location at least for record keeping, but trade is increasingly less linked to a physical place, as modern markets use electronic communication networks, which give them advantages of increased speed and reduced cost of transactions. Trade on an exchange is restricted to brokers who are members of the exchange. In recent

years, various other trading venues, such as electronic communication networks, alternative trading systems and "dark pools" have taken much of the trading activity away from traditional stock-exchanges.

Initial public offerings (IPOs) of stocks and bonds to investors is done in the primary market and subsequent trading is done in the secondary market. A stock exchange is often the most important component of a stock-market. Supply and demand in stock markets are driven by various factors that, as in all free markets, affect the price of stocks.

There is usually no obligation for stock to be issued through the stock-exchange itself, nor must stock be subsequently traded on an exchange. Such trading may be off exchange or over-the-counter. This is the usual way that derivatives and bonds are traded. Increasingly, stock exchanges are part of a global securities market. Stock exchanges also have an economic function in providing liquidity to shareholders in providing an efficient means of disposing of shares.