

STOCK EXCHANGE OF INDIA AND WORLD

Stock Exchanges in India

A stock exchange is an entity authorised by the government through which a listed company's securities are traded. Through a stock exchange, you can trade stocks, bonds and ETPs (exchange-traded products).

Features of Stock Exchange

- ✓ **A market for securities-** It is a wholesome market where securities of government, corporate companies, semi-government companies are bought and sold.
- ✓ **Second-hand securities-** It associates with bonds, shares that have already been announced by the company once previously.
- ✓ **Regulate trade in securities-** The exchange does not sell and buy bonds and shares on its own account. The broker or exchange members do the trade on the company's behalf.
- ✓ **Dealings only in registered securities-** Only listed securities recorded in the exchange office can be traded.
- ✓ **Transaction-** Only through authorised brokers and members the transaction for securities can be made.
- ✓ **Recognition-** It requires to be recognised by the central government.
- ✓ **Measuring device-** It develops and indicates the growth and security of a business in the index of a stock exchange.
- ✓ **Operates as per rules-** All the security dealings at the stock exchange are controlled by exchange rules and regulations and SEBI guidelines.

Important functions of a stock exchange

The following are the most important functions of stock exchanges:

❖ **Determining the fair price**

The stock exchanges facilitate in discovering fair prices of the publicly listed securities. Relentless trading of securities helps in determining the price of the listed securities.

❖ **Facilitating industrial advancement**

The industrialisation of a nation is reliant on capital availability. This is ensured by the stock exchanges as the public can invest directly in the companies through stock exchanges.

❖ **Protecting investors' interest**

The stock exchanges lay down guidelines for the operation of the listed entities. These norms have to be strictly followed by the companies, thereby protecting investors' interest as they would have financed the operations. Any major decision to be taken by the company will have to be brought to the stock exchange notice.

❖ **Act as secondary markets**

Stock exchanges will help investors of certain bonds, such as sovereign gold bonds (SGBs), to sell their holdings within the lock-in period or maturity.

❖ **Reduce the dependency on loan for corporates**

The existence of stock exchanges has helped listed companies avoid availing a loan as they could raise capital by issuing securities. This has helped them save a significant amount in the form of regular interest outgo.

List of stock exchanges in India

The following are the list of stock exchanges operating in India:

❖ **Bombay stock exchange (BSE)**

Bombay Stock Exchange or BSE, established in 1875, is not only India's oldest stock exchange but also Asia's. It is the largest stock exchange in India and is operating out of Mumbai, Maharashtra. As of February 2021, the market cap of BSE stood at \$2.8 trillion.

❖ **National stock exchange (NSE)**

National Stock Exchange or NSE was established in 1992. It is the first stock exchange in India to provide a decentralised electronic trading platform for investors. As per the latest records, the market cap of NSE was \$2.27 trillion. Like BSE, even NSE is based out of Mumbai, Maharashtra.

❖ **Calcutta Stock Exchange (CSE)**

Calcutta Stock Exchange or CSE was established in 1908. It is operating out of Kolkata, West Bengal. The Securities and Exchange Board of India (SEBI) has asked the CSE to exit. However, the matter is currently being heard at the Calcutta High Court.

❖ **India International Exchange (India INX)**

India International Exchange or India INX was founded in 2017. It is India's first international stock exchange. It operates out of Gujarat International Finance Tec-City and is a subsidiary of BSE.

❖ **Metropolitan Stock Exchange (MSE)**

Metropolitan Stock Exchange or MSE was founded in 2008. The MSE is a modern clearing house formed to perform the clearance and settlement of contracts involving multiple asset classes. It is operating out of Mumbai, Maharashtra.

❖ **NSE IFSC Ltd (NSE International Exchange)**

The NSE IFSC Limited (NSE International Exchange) came to the fore in 2016. It is a subsidiary of the NSE. It operates out of Gujarat International Finance Tec-City.

Stock Exchanges Around the World

By most estimates, approximately 630,000 companies are now traded publicly throughout the world. The growth of global stock markets outside of the United States and Europe is a key reason that the number of public firms continues to grow. The U.S. still has the largest exchange in the world, but many of the largest exchanges now reside in Asia, which continues to grow in influence on the world stage. Below is an overview of some of the largest exchanges in the world.

❖ The New York Stock Exchange

- ✓ The New York Stock Exchange (NYSE) is part of NYSE EURONEXT, which now has exchanges in the U.S. and Europe. It estimates that its exchanges represent a third of all equities traded in the world. The NYSE continues to be one of the primary exchanges in the world and the largest in terms of the nearly \$10 trillion in stock market capitalization it represents.
- ✓ The NYSE has been around since 1792 and it is believed that Bank of New York, which is now part of Bank of New York Mellon, was the first stock traded. The ringing of the NYSE bell at the start and end of the day is a common occurrence in today's media.
- ✓ The business has grown incredibly competitive in recent years. In a recent filing with the Securities And Exchange Commission (SEC), the company notes that it must compete for the listings of cash equities, exchange traded funds, structure products, futures, options and other derivatives.

❖ The Tokyo Stock Exchange

- ✓ The Tokyo Stock Exchange (TSE) is the largest exchange in Japan and also number two behind the NYSE in terms of the more than \$3 trillion in market capitalization the companies on its exchange represent. A stronger national currency is part of the reason behind the increasing size of the TSE. Around 2,000 firms are listed on the TSE.
- ✓ The exchange was estimated to have first opened in 1878 and partners with other exchanges around the world, such as the London Stock Exchange below. The Nikkei 225 index is one of the primary and most popular indexes that represent some of the largest and most successful firms in Japan.

❖ The London Stock Exchange

- ✓ The London Stock Exchange (LSE) qualifies as a top-five stock market, with an estimated \$2.2 trillion in stock market capitalization from the companies listed on its exchange. Its estimated founding was 1801, or nearly a decade following the opening of the NYSE.
- ✓ The LSE considers itself the most international of global exchanges, based on the fact that around 3,000 companies from around the world trade on the LSE and its affiliated exchanges.

❖ The Hong Kong Stock Exchange

- ✓ The Hong Kong Stock Exchange is one of the top 10 largest stock exchanges. The firms that are listed on the Hong Kong Stock Exchange represent close to \$2 trillion in total market capitalization. Roughly 1,500 companies are listed on the exchange, which dates back to just prior to 1900, when it first started operating. Most importantly, the exchange represents one of the primary avenues for global investors to invest in China.

❖ The Shanghai Stock Exchange

- ✓ The Shanghai Stock Exchange is one of the newest in the world. It opened in late 1990, and 1,500 companies trade on its exchange. Trading volume continues to increase but has fallen dramatically since 2008, which marked a peak in terms of investment interest in China.
- ✓ A major restriction is that "A" shares of Chinese companies are only available to citizens living in China. Hong Kong has "H" shares that are open to global investors.