

On-Line Trading and Demat operations

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WHAT IS A STOCK MARKET?

A stock market or equity market is a public entity for the trading of company stock (shares) and derivatives at an agreed price.

These are securities listed on a stock exchanges as well as those only traded privately.

The stocks are listed and traded on stock exchanges which are entities of a corporation or mutual organization. The largest stock market in the USA, by market capitalization, is the NYSE.

WHAT ARE STOCKS?

At some point, just about every company needs to raise money. In each case, they have two choices: Borrow the money, or Raise it from investors by selling them a stake (issuing shares of stock) in the company.

Dematerialization

Dematerialisation is the process of converting physical shares into electronic format. An investor who wants to dematerialise his shares needs to open a demat account with Depository Participant.

The move from physical certificates to electronic book keeping. Actual stock certificates are slowly being removed and retired from circulation in exchange for electronic recording. Demat account is a safe and convenient means of holding securities just like a bank account is for funds.

Online Trading

The act of placing buy/sell orders for financial securities and derivatives with the use of a brokerage's internet-based proprietary trading platform. The volume of online trading increased dramatically in the mid- to late 1990s with the introduction of affordable high-speed computers and internet connectivity. Stocks, bonds, options, futures and currencies can all be traded online.

The use of online trades has increased the number of discount brokers because internet trading allows many brokers to further cut costs.

BENEFITS AND PROBLEMS OF ON-LINE SHARE TRADING

➤ Due to the problems that arose during paper shares, there was a need of a system that would make share transfer, buying/selling of shares, etc. Therefore in 1996, the Indian parliament passed the derivatives act, which allowed online transaction of shares, thus making it much easier for the broker and investor.

➤ In the new online trading system, an investor must open a demat account with one of the stock brokers to start trading online. A demat account is a must for an investor to trade

ADVANTAGES OF ONLINE TRADING:

Easier and convenient way to own shares

Immediate transfer

Zero stamp duty on transfer of shares

Safer than paper shares, e.g., fake signatures, delay, etc.

No “odd” problems. Even a single share can be sold.

DP registers a change in address with all companies.

for the investor to contact the companies immediately.

DP transmission of securities, thus eliminating the need
of notifying the companies.

Lesser paperwork for transfer of securities

DISADVANTAGES OF ONLINE TRADING:

- There is a greater risk if trades are done extensively on margin, monthly software usage fees.
- The time sensitivity in nature leads to the result that most option expires worthless. An investor can suffer from a big loss, if they don't have the appropriate knowledge of how to buy and sell the shares.
- The disadvantage side of online stock trading is financial risk. Though there have been other negative elements noted in trading forums, the one thing that one should be aware of is the risk part that online stock trading provides.

- It may face other problems such as electricity cut-off, PC problem etc during online trading then immediately you have to contact your trading system executive and place orders or do trading.
- Investors, who are trading for the first time, go with the flow and get immersed in technology and actually temporarily forget that they are actually using their real money.
- Users who are not familiar with the ins and outs of the basics of brokerage software can make mistakes which can prove to be a costly affair.
- This is like any other financial strategy, where your commitment to online trading takes research and dedication to make sure by yourself that everything is up to par.

WHAT IS A STOCK EXCHANGE ?

A market in which securities are bought and sold: "the company was floated on the Stock Exchange". The initial offering of stocks and bonds to investors is by definition 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.

ROLE OF STOCK EXCHANGE

- Raising capital for business:- common forms of raising capital- Mobilizing savings for investments.
- Creating investment opportunities for small companies.
- Government capital rising for development projects.
- Facilitates company growth.
- Corporate companies Going to public
- Venture capital and Limited partnership

BOMBAY STOCK EXCHANGE

BSE Limited formerly known as Bombay Stock Exchange

(BSE) ,is the oldest stock exchange in Asia.It is a stock exchange

located on Dalal Street, Mumbai.

The equity market capitalization of the companies listed on

the BSE was US\$1 trillion (or Rs. 5526,99,93 Crores) as of

December 2011.

It the 6th largest stock exchange in Asia and the 14th largest in the

world.

The BSE has the largest number of listed Companies in the world.

As of March 2012, there are over 5,133 listed Indian companies and over 8,196 scrips on

the stock exchange, the Bombay Stock Exchange has a significant trading volume. The BSE

SENSEX, also called "BSE 30", is a widely used market index in India and Asia. Though many

other exchanges exist, BSE and the National Stock Exchange of India account for the majority of

the equity trading in India. While both have similar total market capitalization (about USD 1.6

trillion), share volume in NSE is typically two times that of BSE.

NATIONAL STOCK EXCHANGE

The National Stock Exchange (NSE) is stock exchange located at Mumbai, India. It is the 16th largest stock exchange in the world by market capitalization and largest in India by daily turnover and number of trades, for both equities and derivative trading. NSE has a market capitalization of around US 985 billion and over 1,646 listings as of December 2011. NSE and BSE are the two most significant stock exchanges in India, and between them are responsible for the vast majority of share transactions.

General Market Advice:

1. Never chase a stock.
2. Buy when markets are in the grip of panic.
3. Only buy fundamentally strong stocks, which are undervalued.
4. Buy stocks grown in top line and bottom line over the past years.
5. Invest in companies with proven management.
6. Avoid loss-making companies.
7. PE Ratio and Growth in earnings per share
8. Invest in stocks for sure returns

THANK YOU