

## THE STOCK EXCHANGE

**The Stock Exchange** is a physical or electronic share/security market for trading financial assets, such as shares, bonds or other financial products. Securities issued by a Plc (Public Limited Company) are known as **corporate securities**, whereas government or public corporations issue bonds, or government securities, to raise funds.

Stock Exchanges provide:

- a reliable barometer to measure periods of economic boom or recession;
- a way to raise and mobilise capital for small and large investors;
- a way for companies to expand, either by raising capital through the sale of shares, or through integration;
- instruments for governments to raise capital.

The stock market is made up of a **primary** and a **secondary** market. A private company sells its stocks to investors for the first time at a base price, called IPO (initial public offering), in the primary market through an investment bank, and once it has become publicly held, the subsequent trading is done in the secondary market, that is the Stock Exchange.