

EVOLUTION OF STOCK MARKETS AND ROLE OF STOCK EXCHANGE

CFA Gagandeep kaur

Research Scholar, Lovely Professional Univesity

gagan6887@yahoo.com

Abstract:

This present study related to the evolution of stock markets worldwide and in Indian perspective, the major stock exchanges in Abroad and in India, and role of stock exchanges.

Keywords:

Stock exchange, Stock market, New York, Stock exchange, National Stock Exchange, Bombay Stock Exchange.

Stock exchanges also facilitates for the issue and redemption of securities and other financial instruments including the payment of income and dividends. The record keeping is central but trade is linked to such physical place because modern markets are computerized. The trade on an exchange is only by members and stock broker do have a seat on the exchange.

I. INTRODUCTION

The stock exchanges where the stocks are listed and traded are the entities specialized in the business of bringing buyers and sellers of stocks and securities together. The buyers and sellers of stocks are none other than the participants of the stock market. They range from small individual stock investors to large hedge fund traders who may be situated anywhere in the world. Their business is said to be accomplished when a professional at a stock exchange executes an order for such business.

II. WHAT IS STOCK MARKET AND STOCK EXCHANGE

Before we study the History and Evolution of stock exchange, let us first know what are:

- A. **Stock Markets:** Stock Market is a market where the trading of company stock, both listed securities and unlisted takes place. It is different from stock exchange because it includes all the national stock exchanges of the country. For example, we use the term, "the stock market was up today" or "the stock market bubble."
- B. **Stock Exchanges:** Stock Exchanges are an organized marketplace, either corporation or mutual organization, where members of the organization gather to trade company stocks or other securities. The members may act either as agents for their customers, or as principals for their own accounts.

III. EVOLUTION OF THE STOCK MARKETS

The size of world stock market grew steadily in the 1970s and 1980s and crossed the \$12 trillion figure in 1993. The share of the US market decreased tremendously from more than 50% to less than 35%. In recent years, the importance of Asia has grown dramatically and its share and its share in the world market have multiplied three times. During 1980s, the stock markets emerged rapidly in the developing countries. In Africa, stock markets opened in Egypt, Morocco and Ivory Coast, but with limited growth. The growth has been faster in Latin America, especially in Brazil and Mexico. However, most dynamic growth was experienced in Asia, particularly in India, Indonesia, Malaysia, Thailand, Korea and Taiwan. Most of these markets are closed to foreign investors, but after 1994 these markets have progressively opened to the international investors.

In the early 1990s, due to a wave of Liberalization, countries falling under Eastern Europe such as Hungary and Poland opened their market to attract foreign investments. The New York Stock exchange is in the top position, in terms of transaction volume followed by the Tokyo Stock Exchange and London Stock Exchange. However, depending on the market activity, turnover on major stock exchanges can vary widely from one year to the next. Therefore, comparison of national market liquidity based on this variable could lead to different conclusions if different years were observed.

A. MAJOR STOCK EXCHANGES

The following are some of the major stock exchanges established in world are:

- **New York Stock Exchange(NYSE)**



The New York stock exchange can be traced back to 1792, when 24 prominent brokers and merchants gathered in Wall Street to sign Brettonwood agreement for trading of securities on common commission basis. The first corporate stock exchange was that of Bank of New York. In 1817, New York brokers established a formal organization named as the New York Stock and Exchange Board. In 1863, the New York Stock and Exchange Board were renamed as New York Stock Exchange. Membership in NYSE became exchangeable in 1868, as it enabled its member to sell their membership.

Wall Street is the leading US money centre for international financial activities and the foremost US location for the conduct of wholesale financial services. “It comprises a matrix of wholesale financial sectors, financial markets, financial institutions, and financial industry firms” (Robert, 2002). The principal sectors are securities industry, commercial banking, asset management, and insurance.

Presently, Marsh Carter is Chairman of the New York Stock Exchange, having succeeded John S. Reed and the CEO is Duncan Niederauer, having succeeded John Thain.

- **NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS SYSTEM (NASDAQ)**



It is the world’s first electronic stock market incorporated in 1971. With its bold initiatives, it came out with a lot of innovations and became a world market leader in stock trading. As the world’s largest stock market in the United States, it has 4000 listed companies. NASDAQ was founded in 1971 by the National Association of Securities Dealers (NASD), which divested itself of NASDAQ in a series of sales in 2000 and 2001. NASDAQ is owned and operated by the NASDAQ OMX Group, the stocks of which were listed on its own stock exchange beginning July 2, 2002, under the ticker symbol NDAQ. It is regulated by the Financial Industry Regulatory Authority (FINRA), the successor to the NASD.

- **FRANKFURT STOCK EXCHANGE**



The roots of Frankfurt Stock Exchange go back to the period of medieval fairs. The Frankfurt autumn fair is first mentioned during the Assumption holiday in the year 1150. The autumn fair is believed to have had its origin in the 11th century as a harvest

fair. Since the year 1330, when Emperor Ludwig the Bavarian expanded this privilege to include a spring fair as well, the city became an important center for commercial and monetary transactions. As a result of the trading activity during the fair, the manufacture of goods on order gradually developed into merchandise production for an open and nationwide market. In 1585 a bourse was established to set up fixed currency exchange rates. During the following centuries Frankfurt developed into one of the world's first stock exchanges – next to London and Paris. Bankers like Mayer Amschel Rothschild and Max Warburg had substantial influence on Frankfurt's financial trade.

In 1874 Frankfurt Stock Exchange moved into its new building at Börsenplatz. It was only in 1949 after World War II that the Frankfurt Stock Exchange finally established as the leading stock exchange in Germany with consequently incoming national and international investments.

During the 1990s the Frankfurt Stock Exchange was also bourse for the Neuer markt (German for *New Market*) as part of the world wide dot-com boom.

In 1993 the *Frankfurter Wertpapierbörse* (Frankfurt Stock Exchange) became Deutsche Börse AG, operating businesses for the exchange.

From the early 1960s onwards the Frankfurt Stock Exchange took advantage of the close by Bundesbank which effectively decided on financial policies in Europe until the introduction of the euro in 2002. Since then the exchange profits from the presence of the European Central Bank in Frankfurt.

The next big turn over seen by FSE is of Volkswagen. BMW to buy out 31.6% shares of VW. However, not keeping VW into an awkward position, BMW has only the daughter rights to the company. VW AG made the agreement of not adding this internal committee into BMW list of companies as MINI & RR.

In 2002 and 2004 Deutsche Börse was in advanced negotiations to take over London Stock Exchange, which was broken off in 2005.

B. EVOLUTION OF STOCK MARKETS IN INDIA

Indian stock market marks to be one of the oldest stock market in Asia. It dates back to the close of 18th century when the East India Company used to transact loan securities. In the 1830s, trading on corporate stocks and shares in Bank and Cotton presses took place in Bombay.

Though the trading was broad but the brokers were hardly half dozen during 1840 and 1850.

An informal group of 22 stockbrokers began trading under a banyan tree opposite the Town Hall of Bombay from the mid-1850s, each investing a (then) princely amount of Rupee 1. This banyan tree still stands in the Horniman Circle Park,

Mumbai. In 1860, the exchange flourished with 60 brokers. In fact the 'Share Mania' in India began with the American Civil War broke and the cotton supply from the US to Europe stopped. Further the brokers increased to 250. The informal group of stockbrokers organized themselves as the The Native Share and Stockbrokers Association which, in 1875, was formally organized as the Bombay Stock Exchange (BSE).

BSE was shifted to an old building near the Town Hall. In 1928, the plot of land on which the BSE building now stands (at the intersection of Dalal Street, Bombay Samachar Marg and Hammam Street in downtown Mumbai) was acquired, and a building was constructed and occupied in 1930.

Premchand Roychand was a leading stockbroker of that time, and he assisted in setting out traditions, conventions, and procedures for the trading of stocks at Bombay Stock Exchange and they are still being followed.

Several stock broking firms in Mumbai were family run enterprises, and were named after the heads of the family. The following is the list of some of the initial members of the exchange, and who are still running their respective business

- D.S. Prabhudas & Company (now known as DSP, and a joint venture partner with Merrill Lynch)
- Jamnadas Morarjee (now known as JM)
- Champaklal Devidas (now called Cifco Finance)
- Brijmohan Laxminarayan

In 1956, the Government of India recognized the Bombay Stock Exchange as the first stock exchange in the country under the Securities Contracts (Regulation) Act.

The most decisive period in the history of the BSE took place after 1992. In the aftermath of a major scandal with market manipulation involving a BSE member named Harshad Mehta, BSE responded to calls for reform with intransigence. The foot-dragging by the BSE helped radicalise the position of the government, which encouraged the creation of the National Stock Exchange (NSE), which created an electronic marketplace. NSE started trading on 4 November 1994. Within less than a year, NSE turnover exceeded the BSE. BSE rapidly automated, but it never caught up with NSE spot market turnover. The second strategic failure at BSE came in the following two years. NSE embarked on the launch of equity derivatives trading. BSE responded by political effort, with a friendly SEBI chairman (D. R. Mehta) aimed at blocking equity derivatives trading. The BSE and D. R. Mehta succeeded in delaying the onset of equity derivatives trading by roughly five years. But this trading, and the accompanying shift of the spot market to rolling settlement, did come along in 2000 and 2001 - helped by another major scandal at BSE involving the then President Mr. Anand Rathi. NSE scored nearly 100% market share in the runaway success of equity derivatives trading, thus consigning BSE into clearly second place. Today, NSE has roughly 66% of equity spot turnover and roughly 100% of equity derivatives turnover.

C. MAJOR STOCK EXCHANGE IN INDIA

There are two leading stock exchanges in India which help us trade are:

- **National Stock Exchange:**

National Stock Exchange incorporated in the year 1992 provides trading in the equity as well as debt market. Maximum volumes take place on NSE and hence enjoy leadership position in the country today.

- **Bombay Stock Exchange:**

BSE on the other hand was set up in the year 1875 and is the oldest stock exchange in Asia. It has evolved in to its present status as the premier stock exchange. At BSE you will find some scripts listed that are not available on NSE. Also BSE has the largest number of scripts which are listed.

- **Introduction to BSE:**



As we read in the history of Indian stock exchange; the stock exchange, Mumbai, popularly known as "**BSE**". BSE was established in 1875 as "The Native Share and Stock Brokers Association". It is the oldest one in Asia, even older than the Tokyo Stock Exchange, which was established in 1878. It is a voluntary non-profit making Association of Persons (AOP) and has converted itself into demutualised and corporate entity. It has evolved over the years into its present status as the Premier Stock Exchange in the country. It is the first Stock Exchange in the Country to have obtained permanent recognition in 1956 from the Govt. of India under the Securities Contracts (Regulation) Act, 1956. The Exchange, while providing an efficient and transparent market for trading in securities, debt and derivatives upholds the interests of the investors and ensures redressal of their grievances whether against the companies or its own member-brokers. It also strives to educate and enlighten the investors by conducting investor education programmes and making available to them necessary informative inputs. A Governing Board having 20 directors is the apex body, which decides the policies and regulates the affairs of the Exchange. The Governing Board consists of 9 elected directors, who are from the broking community (one third of them retire every year by rotation), three SEBI nominees, six public representatives and an Executive Director & Chief Executive Officer and a Chief Operating Officer.

The Executive Director as the Chief Executive Officer is responsible for the day-to-day administration of the Exchange and he is assisted by the Chief Operating Officer and other Heads of Department The Exchange has inserted new Rule in its Rules, Bye-laws & Regulations pertaining to constitution of the Executive Committee of the Exchange. Accordingly, an Executive Committee, consisting of three elected directors,

three SEBI nominees or public representatives, Executive Director & CEO and Chief Operating Officer has been constituted. The Committee considers judicial & quasi matters in which the Governing Board has powers as an Appellate Authority, matters regarding annulment of transactions, admission, continuance and suspension of member-brokers, declaration of a member-broker as defaulter, norms, procedures and other matters relating to arbitration, fees, deposits, margins and other monies payable by the member-brokers to the Exchange, etc.

- **Introduction to NSE:**



The National Stock Exchange (NSE) is India's leading stock exchange covering 364 cities and towns across the country. NSE was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures.

NSE has played a catalytic role in reforming the Indian securities market in terms of microstructure, market practices and trading volumes. The market today uses state-of-art information technology to provide an efficient and transparent trading, clearing and settlement mechanism, and has witnessed several innovations in products & services viz. demutualization of stock exchange governance, screen based trading, compression of settlement cycles, dematerialization and electronic transfer of securities, securities lending and borrowing, professionalization of trading members, fine-tuned risk management systems, emergence of clearing corporations to assume counterparty risks, market of debt and derivative instruments and intensive use of information technology. The National Stock Exchange of India Limited has genesis in the report of the High Powered Study Group on Establishment of New Stock Exchanges, which recommended promotion of a National Stock Exchange by financial institutions (FIs) to provide access to investors from all across the country on an equal footing. Based on the recommendations, NSE was promoted by leading Financial Institutions at the behest of the Government of India and was incorporated in November 1992 as a tax-paying company unlike other stock exchanges in the country. On its recognition as a stock exchange under the Securities Contracts (Regulation) Act, 1956 in April 1993, NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. The Capital Market (Equities) segment commenced operations in November 1994 and operations in Derivatives segment commenced in June 2000. NSE's mission is setting the agenda for change in the securities markets in India.

The NSE was set-up with the following objectives:

- establishing a nation-wide trading facility for equities, debt instruments and hybrids,
- ensuring equal access to investors all over the country through an appropriate communication network,
- providing a fair, efficient and transparent securities market to investors using electronic trading systems,
- enabling shorter settlement cycles and book entry settlements systems, and
- meeting the current international standards of securities markets

The standards set by NSE in terms of market practices and technologies have become industry benchmarks and are being emulated by other market participants. NSE is more than a mere market facilitator. It's that force which is guiding the industry towards new horizons and greater opportunities. Till the advent of NSE, an investor wanting to transact in a security not traded on the nearest exchange had to route orders through a series of correspondent brokers to the appropriate exchange. This resulted in a great deal of uncertainty and high transaction costs. One of the objectives of NSE was to provide a nationwide trading facility and to enable investors spread all over the country to have an equal access to NSE. NSE has made it possible for an investor to access the same market and order book, irrespective of location, at the same price and at the same cost. NSE uses sophisticated telecommunication technology through which members can trade remotely from their offices located in any part of the country. NSE trading terminals are present in 363 cities and towns all over India. NSE has been promoted by leading financial institutions, banks, insurance companies and other financial intermediaries. NSE is one of the first demutualised stock exchanges in the country, where the ownership and management of the Exchange is completely divorced from the right to trade on it. Though the impetus for its establishment came from policy makers in the country, it has been set up as a public limited company, owned by the leading institutional investors in the country.

From day one, NSE has adopted the form of a demutualised exchange - the ownership, management and trading is in the hands of three different sets of people. NSE is owned by a set of leading financial institutions, banks, insurance companies and other financial intermediaries and is managed by professionals, who do not directly or indirectly trade on the Exchange. This has completely eliminated any conflict of interest and helped NSE in aggressively pursuing policies and practices within a public interest framework. The NSE model however, does not preclude, but in fact accommodates involvement, support and contribution of trading members in a variety of ways. Its Board comprises of senior executives from promoter institutions, eminent professionals in the fields of law, economics, accountancy, finance, taxation, etc, public representatives, nominees of SEBI and one full time executive of the Exchange. While the Board deals with broad policy

issues, decisions relating to market operations are delegated by the Board to various committees constituted by it. Such committees include representatives from trading members, professionals, the public and the management. The day-to-day management of the Exchange is delegated to the Managing Director who is supported by a team of professional staff.

IV. ROLE OF STOCK EXCHANGE

Stock exchanges have multiple roles in the economy. This may include the following:

- **Raising capital for businesses**

A stock exchange provides companies with the facility to raise capital for expansion through selling shares to the investing public.

- **Common forms of capital raising**

Besides the borrowing capacity provided to an individual or firm by the banking system, in the form of credit or a loan, there are four common forms of capital raising used by companies and entrepreneurs. Most of these available options might be achieved, directly or indirectly, through a stock exchange.

- **Going public**

Capital intensive companies, particularly high tech companies, always need to raise high volumes of capital in their early stages. For this reason, the public market provided by the stock exchanges has been one of the most important funding sources for many capital intensive startups. After the 1990s and early-2000s hi-tech listed companies' boom and bust in the world's major stock exchanges, it has been much more demanding for the high-tech entrepreneur to take his/her company public, unless either the company already has products in the market and is generating sales and earnings, or the company has completed advanced promising clinical trials, earned potentially profitable patents or conducted market research which demonstrated very positive outcomes. This is quite different from the situation of the 1990s to early-2000s period, when a number of companies (particularly Internet boom and biotechnology companies) went public in the most prominent stock exchanges around the world, in the total absence of sales, earnings and any well-documented promising outcome. Anyway, every year a number of companies, including unknown highly speculative and financially unpredictable hi-tech startups, are listed for the first time in all the major stock exchanges – there are even specialized entry markets for these kind of companies or stock indexes tracking their performance (examples include the Alternext, CAC Small, SDAX, TecDAX, or most of the third market companies).

- **Limited partnerships**

A number of companies have also raised significant amounts of capital through R&D limited partnerships. Tax law changes that were enacted in 1987 in the United States changed the tax deductibility of investments in R&D limited partnerships. In order for a partnership to be of interest to investors today, the cash on cash return must be high enough to entice investors. As a result, R&D limited partnerships are not a viable means of raising money for most companies, specially hi-tech startups.

- **Venture capital**

A third usual source of capital for startup companies has been venture capital. This source remains largely available today, but the maximum statistical amount that the venture company firms in aggregate will invest in any one company is not limitless (it was approximately \$15 million in 2001 for a biotechnology company).^[7] At those level, venture capital firms typically become tapped-out because the financial risk to any one partnership becomes too great.

- **Corporate partners**

A fourth alternative source of cash for a private company is a corporate partner, usually an established multinational company, which provides capital for the smaller company in return for marketing rights, patent rights, or equity. Corporate partnerships have been used successfully in a large number of cases.

- **Mobilizing savings for investment**

When people draw their savings and invest in shares (through an IPO or the issuance of new company shares of an already listed company), it usually leads to rational allocation of resources because funds, which could have been consumed, or kept in idle deposits with banks, are mobilized and redirected to help companies' management boards finance their organizations. This may promote business activity with benefits for several economic sectors such as agriculture, commerce and industry, resulting in stronger economic growth and higher productivity levels of firms. Sometimes it is very difficult for the stock investor to determine whether or not the allocation of those funds is in good faith and will be able to generate long-term company growth, without examination of a company's internal auditing.

- **Facilitating company growth**

Companies view acquisitions as an opportunity to expand product lines, increase distribution channels, hedge against volatility, increase their market share, or acquire other necessary business assets. A takeover bid or a merger agreement through the stock market is one of the simplest and most common ways for a company to grow by acquisition or fusion.

- **Profit sharing**

Both casual and professional stock investors, as large as institutional investors or as small as an ordinary middle-class family, through dividends and stock price increases that may result in capital gains, share in the wealth of profitable businesses. Unprofitable and troubled businesses may result in capital losses for shareholders.

- **Corporate governance**

By having a wide and varied scope of owners, companies generally tend to improve management standards and efficiency to satisfy the demands of these shareholders, and the more stringent rules for public corporations imposed by public stock exchanges and the government. Consequently, it is alleged that public companies tend to have better management records than privately held companies (those companies where shares are not publicly traded, often owned by the company founders and/or their families and heirs, or otherwise by a small group of investors).

Despite this claim, some well-documented cases are known where it is alleged that there has been considerable slippage in corporate on the part of some public companies. The dot-com bubble in the late 1990s and the subprime mortgage crisis in 2007–08, are classical examples of corporate mismanagement. Companies like Pets.com (2000), Enron Corporation (2001), One.Tel (2001), Sunbeam (2001), Webvan (2001), Adelphia (2002), MCI WorldCom (2002), Parmalat (2003), American International Group (2008), Bear Stearns (2008), Lehman Brothers (2008), General Motors (2009) and Satyam Computer Services (2009) were among the most widely scrutinized by the media.

However, when poor financial, ethical or managerial records are known by the stock investors, the stock and the company tend to lose value. In the stock exchanges, shareholders of underperforming firms are often penalized by significant share price decline, and they tend as well to dismiss incompetent management teams.

- **Creating investment opportunities for small investors**

As opposed to other businesses that require huge capital outlay, investing in shares is open to both the large and small stock because a person buys the number of shares they can afford. Therefore the Stock Exchange provides the opportunity for small investors to own shares of the same companies as large investors.

- **Government capital-raising for development projects**

Governments at various levels may decide to borrow money to finance infrastructure projects such as sewage and water treatment works or housing estates by selling another category of securities known as bonds. These bonds can be raised

through the Stock Exchange whereby members of the public buy them, thus loaning money to the government. The issuance of such bonds can obviate the need, in the short term, to directly tax citizens to finance development—though by securing such bonds with the full faith and credit of the government instead of with collateral, the government must eventually tax citizens or otherwise raise additional funds to make any regular coupon payments and refund the principal when the bonds mature

- **Barometer of the economy**

At the stock exchange, share prices rise and fall depending, largely, on economic forces. Share prices tend to rise or remain stable when companies and the economy in general show signs of stability and growth. An economic recession, depression, or financial crisis could eventually lead to a stock market crash. Therefore the movement of share prices and in general of the stock indexes can be an indicator of the general trend in the economy.

V. LISTING REQUIREMENTS

Listing requirements are the set of conditions imposed by a given stock exchange upon companies that want to be listed on that exchange. Such conditions sometimes include minimum number of shares outstanding, minimum market capitalization, and minimum annual income.

A. Requirements by stock exchange

Companies must meet an exchange's requirements to have their stocks and shares listed and traded there, but requirements vary by stock exchange:

- **New York Stock Exchange:**

To be listed on the New York Stock Exchange (NYSE) a company must have issued at least a million shares of stock worth \$100 million and must have earned more than \$10 million over the last three years.

- **NASDAQ Stock Exchange:**

To be listed on the NASDAQ a company must have issued at least 1.25 million shares of stock worth at least \$70 million and must have earned more than \$11 million over the last three years.

- **London Stock Exchange:**



















The main market of the London Stock Exchange has requirements for a minimum market capitalization (£700,000), three years of audited financial statements, minimum public float (25 per cent) and sufficient working capital for at least 12 months from the date of listing.

- **Bombay Stock Exchange:**

Bombay Stock Exchange (BSE) has requirements for a minimum market capitalization of ₹250 million (US\$4.2 million) and minimum public float equivalent to ₹100 million (US\$1.7 million)

B. MAJOR STOCK EXCHANGES

Major stock exchanges (top 21 by market capitalization), as at 31 May 2014 (Monthly reports, World Federation of Exchanges)

Rank	Exchange	Economy	Headquarters	Market cap (USD bn)	Trade volume (USD bn)
1	New York Stock Exchange	 United States	New York	18,917	12,693
2	NASDAQ	 United States	New York	6,456	8,914
3	Tokyo Stock Exchange	 Japan	Tokyo	4,373	2,866
5	London Stock Exchange Group	 United Kingdom  Italy	London	3,396	1,890
4	Euronext	 France  Netherlands  Belgium  Portugal	Amsterdam	3,802	1,900
6	Hong Kong Stock Exchange	 Hong Kong	Hong Kong	3,046	913
7	Shanghai Stock Exchange	 China	Shanghai	2,379	2,176
8	Toronto Stock Exchange	 Canada	Toronto	2,218	1,121
9	Frankfurt Stock Exchange	 Germany	Frankfurt	1,985	1,101
11	Australian Securities Exchange	 Australia	Sydney	1,465	800
13	Bombay Stock Exchange	 India	Mumbai	1,399	93
14	National Stock Exchange of India	 India	Mumbai	1,396	442
10	SIX Swiss Exchange	 Switzerland	Zurich	1,630	502
17	BM&F Bovespa	 Brazil	São Paulo	1,047	751
15	Korea Exchange	 South Korea	Seoul	1,296	1,297

Rank	Exchange	Economy	Headquarters	Market cap (USD bn)	Trade volume (USD bn)
12	Shenzhen Stock Exchange	 China	Shenzhen	1,457	2,007
16	BME Spanish Exchanges	 Spain	Madrid	1,195	731
18	JSE Limited	 South Africa	Johannesburg	1,007	287
21	Moscow Exchange	 Russia	Moscow	693	300
20	Singapore Exchange	 Singapore	Singapore	807	215
19	Taiwan Stock Exchange	 Taiwan	Taipei	865	572

CONCLUSION

The past two decades have witnessed dramatic changes in the number, location, and structure of global financial exchanges. The number of new financial exchanges has surged worldwide in countries such as Russia and China, that previously did not have any exchanges as well as in countries with many competing established exchanges and mature domestic financial markets (e.g. the BATS Exchange in the United States and Chi-X in the United Kingdom). The number of cross-border and trans-Atlantic exchange mergers has increased in recent years. Additionally, new liquidity providers have emerged since 2000 as the Internet provides a low-cost open platform for alternative trading systems to compare with more traditional exchanges.

Financial markets, and especially stock markets, have grown considerably in developed and developing countries over the last few decades. Better fundamentals (higher economic growth, more macro stability), structural reforms (notably privatization of state-owned enterprises), and specific policy changes (notably domestic financial reform and capital account liberalization) have aided in their growth.

We have study several aspects of stock market development, market capitalization, listing, degree of new capital raising and trading value. We study most of these aspects from both the domestic and international side. The role of stock market in raising capital for businesses, Mobilizing savings for investment, Facilitating company growth, Creating investment opportunities for small investors, Government capital-raising

for development projects. so, stock exchanges of an economy shows stability and growth.

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Author's Profile

I am **Gagandeep kaur**. I have done my M.com from Department of Commerce, Delhi School of Economics, and Delhi University in year 2010. I have completed my CFA (Chartered Financial Analyst) from ICFAI University, Tripura in year 2011 and also UGC NET Qualified. I am currently pursuing MBA from Lovely Professional University Distance Education, Jalandhar in Finance area. My interest area is Accounting, Finance and Human Resource.