Welcome to
The Stock Exchange
Bombay
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>History of The Stock Exchange, Bombay</td>
<td>1</td>
</tr>
<tr>
<td>The Stock Exchange — a Market Place</td>
<td>3</td>
</tr>
<tr>
<td>Trading Days and Trading Hours</td>
<td>4</td>
</tr>
<tr>
<td>Prices Fluctuate</td>
<td>5</td>
</tr>
<tr>
<td>How a Transaction is Made</td>
<td>6</td>
</tr>
<tr>
<td>Equity Shares, Preference Shares and Debentures</td>
<td>7</td>
</tr>
<tr>
<td>Brokers and Jobbers</td>
<td>9</td>
</tr>
<tr>
<td>Jobber’s Spread</td>
<td>10</td>
</tr>
<tr>
<td>Bulls and Bears</td>
<td>11</td>
</tr>
<tr>
<td>How to Place an Order</td>
<td>12</td>
</tr>
<tr>
<td>Contract Note</td>
<td>13</td>
</tr>
<tr>
<td>Settlement Periods</td>
<td>14</td>
</tr>
<tr>
<td>Specified and Non-specified Shares</td>
<td>15</td>
</tr>
<tr>
<td>Odd Lots and Marketable Lots</td>
<td>17</td>
</tr>
<tr>
<td>Book Closure</td>
<td>18</td>
</tr>
<tr>
<td>Cum or Ex</td>
<td>19</td>
</tr>
<tr>
<td>Transfer Deed</td>
<td>20</td>
</tr>
<tr>
<td>Transfer Stamps</td>
<td>21</td>
</tr>
<tr>
<td>Stock Market Glossary</td>
<td>22</td>
</tr>
</tbody>
</table>
History of the Stock Exchange, Bombay

By 1930's, in Bombay, business used to be transacted in the shares of banks like 'the Commercial Bank, the Chartered Bank, the Mercantile Bank, the Agra Bank and the Bank of Bombay'. Between 1840 and 1850, there were half a dozen brokers dealing in securities recognised by Banks and merchants. Their meeting place used to be under a sprawling banyan tree in front of the Town Hall at the Cotton Green where the Horniman Circle is now situate.

In 1850, the Companies Act introducing limited liability was enacted and with it commenced the era of modern joint stock enterprise in India. The 1850's also witnessed rapid development of commercial enterprise. The extension of railways, introduction of telegraph and gradual improvement in the communication system all promoted internal trade and commerce. Many new enterprises were floated and the business of brokerage became very prosperous. By 1860's, the number of brokers had increased to 60 and they made their market place again under some banyan trees between the old Fort Walls and the Old Mercantile Bank on the open site now facing the Central Bank of India at Flora Fountain.

During the exciting period of the American Civil War, the number of brokers swelled to about 200. Brokers were then a privileged class, created as much
noise as they pleased and obstructed without let or hindrance the streets, the shops and lower premises of Banks. Bank managers and the police respected them a lot. However, the end of the Civil War brought disillusionment and many failures of enterprises floated during the American Civil War and the brokers decreased in number and prosperity. Bank managers all of a sudden discovered that they were a nuisance to their customers and ordered them out of their meeting place quite often and wherever they went, through sheer habit, they overflowed into the streets.

At last in 1874, in a street that is now appropriately called Dalal Street after their name, they found a place where they could conveniently assemble; and on the place where they so assembled stood once the office of The Advocate of India. The brokers organised an informal association and finally, on or about the 9th July, 1875, a few native brokers doing brokerage business in shares and stocks resolved upon forming in Bombay an association for protecting the character, status and interest of native share and stock brokers and of providing a hall or building for the members of such Association.

At a meeting held in the Brokers' Hall on 5th February, 1887, it was resolved to execute a formal Deed of Association, constitute the first Managing Committee and appoint the first Trustees. Accordingly, an Indenture was executed on 3rd December, 1887 constituting the Articles of Association of the Exchange and The Stock Exchange was thus formally established in Bombay.
The Stock Exchange — a Market Place.

The Stock Exchange is a market place, like any other centralised market — vegetables or fish — where buyers and sellers can do business in the most convenient and speediest way, at the fairest open prices. Unlike other markets, the public are not admitted to the trading floor; business has to be done through registered brokers.

The Stock Exchange is open to anyone — big or small — with money to invest or securities to sell. One can start with as little as a few hundred rupees.
Trading Days and Trading Hours

The Stock Market is open for trading on all week days except bank holidays and certain religious holidays notified in advance. The trading session is generally between 12 noon and 2.30 p.m. Special trading sessions are held in the evening on the Union Budget day and Diwali (Moorat Session).
Prices Fluctuate

Prices of shares, like those of so many other things, fluctuate with supply and demand. They are influenced by a variety of factors such as a Company's performance, prospects of a specific industry group, overall economic performance, and aggregate emotions of the investing public. This means that there is always some risk in share investment. The element of risk, however, can be minimized by knowledge, study, judgement, anticipation, or getting reliable advice.

Share investment offers a wide and varied choice. There is something for all types of investment needs and situations. There are around 5,000 listed securities having a market value of Rs. 30,000 crores. While some of these are household names, others are relatively small and new. The Stock Exchange allows an individual to put his capital to work wherever he likes. His capital is also free to move from one enterprise to another—entitled to profits when the venture succeeds—ready to stand losses if it fails.
How a Transaction is Made

A Stock Exchange is an auction market. But it is not like the conventional auction where buyers compete, and there is only one seller. In the Stock Exchange, there is a two-way auction. Bidders compete with each other to purchase at the lowest possible price the shares they want to buy. Simultaneously, those seeking to sell compete with each other to get the highest price for the shares they are offering. When the buyer bidding the highest price and the seller offering at the lowest price agree on a figure which is acceptable to each, a transaction is made.
Equity Shares, Preference Shares and Debentures

While the terms equity shares, debentures, preference shares, bonus, rights ..... may sound like technical mumbo-jumbo, their meanings and investment functions can be easily mastered after a little study.

A share signifies proportional ownership of a company. If a company has issued 10,00,000 shares of Rs. 10 each, and if you buy 1,000 shares of this company, 1/1000th part of that company belongs to you including its plant and equipment, earnings and dividend, loans and losses. You also have a proportionate voice in the management of this company. As a proof of ownership, you will be given share certificates with your name recorded on it and the number of shares represented by the certificates clearly stated on it.

Thus, a share certificate is not just a piece of paper. To a company, it means capital. To an investor, it means a share of business. Shares have a fixed par value (also called nominal value or paid up value). In most cases this is Rs. 100 or Rs. 10 per share.

Shares (more accurately, equity shares) represent one type of security. (The terms stocks and scrips are also interchangeably used.) Another kind of security is a debenture. It represents a promise by the company to...
pay back a loan, plus a certain amount of interest over a
definite period of time. A third type — preference
share — stands between an equity share and a
debenture in terms of a company’s obligation to pay
dividend.

At times, companies stipulate that a debenture will
be converted into equity shares as per a specified ratio
at specified intervals. Such conversion could be optional
or compulsory. The stipulation could be made at the
time of issue, or at a later date. Such a debenture is
called a convertible debenture.

Why do companies issue shares and debentures?
They do so to raise money — or capital — to build new
plants and to increase production. Thereby, they hope
to increase profits. Part of these profits are paid to
shareholders and debentureholders as dividends and
interest and the balance ploughed back into business.
Companies earning consistently good profits have a
high plough-back built up reserves which they
distribute in the form of bonus shares. These bonus
shares also qualify for future dividend payouts.

New companies can invite the public to contribute
initial capital in the form of shares or debentures
through what is known as a prospectus. The prospectus
is an important document which makes a detailed
disclosure of all material facts about the company.

After the initial issue, a company can raise
additional capital by making a rights issue to existing
shareholders, directors and business associates. At
times a company may not be certain that the rights issue
will be absorbed in full, and it may therefore offer such
shares to new investors through prospectus. It is also
quite common for existing shareholders to renounce
their ‘rights’ in favour of new investors for a
consideration.
The investor must employ the services of a registered stock broker for buying or selling of shares in a stock market. Also, it is important to know that brokers merely act as agents for their clients and deal with another class of stock exchange professionals called jobbers. The communication channel is as illustrated above.

It will be observed that a client's contact point is his broker, who charges a commission or brokerage — for his services. A jobber has no contact with the investing public — he deals only for his own account and profit.

The Stock Exchange does not recognise any party to a bargain in shares, other than its registered members.

At times you may deal with a sub-broker who must in turn transact business through a registered broker.
Jobbers' Spread

Jobbers specialise in one or more listed securities. By trading in and out of the market for a small difference in price, they help in maintaining a liquid and continuous market in the stocks they specialise in. For active shares, there may be several jobbers trading in them. On the other hand, for inactive shares, only one jobber may be doing the dealing in many of them.

In order that the brokers and the authorized clerks can readily locate the jobbers dealing in individual securities, trading takes place at the spot where the security is posted. Thus, the floor of the Exchange is roughly divided (quite invisible to the untrained-eye) into a series of smaller markets for the Government securities, debentures, preference shares, specified shares and non-specified shares and each of these markets is further divided into submarkets for one or more securities.

Jobbers specialise in some counters, i.e., a place where particular shares are traded. Even at one counter, there may be more than one jobber and the prices quoted by them may differ according to their individual judgements. All jobbers, however, try to keep their books clean at the end of the day. It means that whatever they purchase is sold by them, and whatever they have sold earlier is purchased by them. They would not normally keep any outstanding business to be carried forward to the next day.

Normally when a broker approaches a jobber, he will be given two quotations. The higher price (offer) represents the figure at which the jobber will sell. The lower price (bid) represents the price at which he will buy. The difference in these two prices is the jobber's spread. For a share which is not very active and there is only one jobber, the concerned jobber is not faced with any competition, and therefore his spread can be large.

The jobber's spread is generally a fraction of a percent for actively traded shares. However, if a share is traded very infrequently, the jobber will try to maintain a larger spread to cover the risk of his books not being balanced. In some cases the spread could be upto 10% of the price.
Bulls and Bears

An operator who expects the share prices to rise is called a bull. He buys shares without any intention of taking delivery. When the prices rise he sells the shares and squares up the transaction at a profit. This is called Long Purchase. The counterpart of a bull is a bear. A bear expects prices to decline and sells shares which he may not own. His intention is to buy those shares at a later date, when the prices do decline, and then square up the transaction with a profit. This activity is generally referred to as selling short.
How to Place an Order

A client has two options when instructing his broker to transact business. He may tell him to buy or sell “at best rate”, and leave the matter to his judgement; or he may specify reasonable price limits. For example, the client could have specified “Buy at 102 maximum”. In such a situation, however, the broker would have been unable to execute the order, even though the next morning’s paper would have quoted the rates as 101, 102, 104 as jobber’s spread would have made the share not available for purchase at 102. Too strict an adherence to limits can result in a good opportunity being missed, specially, when the market is changing rapidly.

In a bull market it is advisable to avoid strict buying limits if you want to ensure a purchase, otherwise you could be trailing a share for days together without actually buying it. Likewise, in a bear market it is advisable to place selling orders at “market rates”. If you specify a selling limit and the markets slide down, you would have lost an opportunity to sell your scrip that day and the next day could be lower still.

Whenever specifying limits, it is necessary to state whether the limits are “net”, that is, inclusive of the broker’s commission, or “at market”, in which case the broker’s commission will have to be added to the price.
After a broker has executed a client’s order, he formalises the transaction by issuing a contract note to the client. This note is in a prescribed form and confirms that a certain number of securities have been bought (or sold) at the stated price by your order and to your account. This note is the most important evidence of the transaction. Once delivered and accepted, it binds the client as well as the broker, and neither can repudiate the contract. A good broker ensures that the contract note is sent to the client by hand delivery or by post (usually under certificate of posting) on the same or the next day of transaction.
Settlement Periods

In order to avoid settlement of too many transactions on a day-to-day basis, the Stock Exchange year is divided into periods called “account”. An account normally runs for a fortnight but at times it may be of a longer duration of three to four weeks. All transactions made during one account are to be settled either by payment (for purchases) or by delivery (of share certificates sold) on notified days which are made known to the members of the Exchange through a clearing programme.

The two most important dates covered in the programme are pay-in and pay-out. Pay-in day is the day on which the broker has to make payment to the clearing house for all purchases made by him in the previous settlement period. The broker will normally expect to receive payment from his clients a few days before the pay-in date, to allow for bank clearing and other paper work. The pay-out day is the date on which the broker receives payment for sales made and share certificates together with the transfer deeds delivered to the clearing house. Again, it will take the broker two to three days after the pay-out day to remit the sales proceeds to the concerned client.
Specified and Non-Specified Shares

All the listed securities of a Stock Exchange are classified either as 'Specified shares' (also called 'A' group shares) or as Non-specified securities (also called 'B' group or cash securities). The Stock Exchange notifies from time to time the shares which shall be included in the Specified list.

The main difference between the Specified shares and Non-specified securities is in the process of settlement of transactions as described later. Only equity shares are included in the Specified list. Considerations for including the equity shares of a company in the specified list are generally the size of the company in terms of paid-up capital, large number of shareholders without any undue concentration in the hands of a few, steady dividend and growth record and the large volume of business in the market.

Settlement of Transactions in Specified Shares:

At the end of a settlement period, an investor who has done business in specified shares has three options —
(i) terminate his contract of sale or purchase by a cross contract (also known as squaring up);
(ii) complete the contract by delivery or payment as the case may be; and
(iii) carry-over the contract to the next settlement.
A bull operator who has bought shares may feel that the price of his shares may rise further and he can make a bigger profit by waiting or holding out. If, however, he has no money to pay for his purchase, he can arrange with his broker to carry forward his business to the next settlement account. His broker would then find someone who will receive the shares on his behalf and pay for them on the due date (i.e., pay-in-day).
The financier who advances the needed funds will charge interest (called contango or badla in Stock Exchange parlance) for the fortnight till the next pay-in-day. The rate of interest or the contango charge depends on many factors, including the state of the money market, that is, whether money is cheap or dear, and whether the market is over-bought or over-sold.

Special sessions are held by the Stock Exchange at the end of each settlement period or account to determine the contango or badla charges for individual shares in the specified list in actual biddings. The charges are never fixed by the Stock Exchange except in very exceptional circumstances. The charges fluctuate just like share prices on the basis of demand and supply of money.

If a bear operator wants to carry forward his transaction from one settlement to the next settlement, he must find someone who will loan to him the shares which he has to deliver on the settlement day. Alternatively, he can find a bull operator who cannot pay for his purchase and also wants his business to be carried forward.

Normally, a bear operator does not have to pay interest on his business carried forward. On the contrary, he receives a payment identical to that paid by the bull operator. This is because a bull operator who has purchased shares but cannot pay for them will only be too glad to pay a small charge to a bear operator who has sold the shares but cannot deliver them.

At times, however, the seller (bear) who normally gets paid contango on his sales may have to pay the buyer a charge called 'backwardation' or 'undha badla'. This happens when the shares are oversold and the buyers are in a demanding position.

Financiers or Badliwalas lend money to those who wish to carry forward their purchases from one account to the next. They also lend shares to those who do not wish to square up their transactions at the time of settlement.

Settlement of Transactions in Non Specified Shares:

Transactions in Non-specified securities are for compulsory delivery. The Exchange issues delivery orders for all transactions entered into during the settlement period. If the seller is not in a position to deliver the shares, the buyer has a right to demand delivery of the shares he has bought and can seek an auction notice against the seller and claim the difference between the contract price and auction price.
Odd Lots and Marketable Lots

Marketable lots of shares of an actively traded company can be bought or sold easily in the stock markets through recognised stockbrokers. However, problems arise when one wants to buy or sell shares in lots which are different from marketable lots. In stock markets, such lots are called odd lots. If a marketable lot of a share is 100, a transaction for say 50 shares is considered an odd lot transaction. Purchase and sale of odd lots are usually very difficult. Also, the price quotation for an odd lot could differ by as much as 5-10% from the price quoted for a marketable lot.

Odd lots generally arise from issue of bonus shares or right shares.

Trading in equity shares on Stock Exchanges is mostly confined to marketable lots. For shares having paid-up value of Rs. 10, the marketable lot is generally fifty or hundred shares, and for shares of Rs. 100 paid-up value, the marketable lot is generally five shares or ten shares. However, there are many exceptions to this generalization.
Book Closure

Every company maintains a Register of its shareholders. This Register also called Register of Members contains the name, address and other particulars of each of its shareholders. As the ownership of shares keeps on changing due to the buying and selling activities and the consequent registration of transfers, the list of shareholders is constantly updated with the names of transferees added and those of transferors deleted.

When a company declares a dividend or announces a bonus or right issue or wants to convene a meeting of the shareholders, it becomes necessary to freeze the list at a point of time to take stock of the shareholders entitled to the benefits. This is known as Closure of Register of Members or just Book Closure. During the period of Book Closure, no transfer of share is undertaken by the company.
Share prices are sometimes quoted ‘cum’ or ‘ex’ dividend, ‘cum’ or ‘ex’ bonus or ‘cum’ or ‘ex’ rights. They are written as ‘cd’, ‘cb’ or ‘cr’ if ‘cum’ and ‘xd’, ‘xb’ or ‘xr’ if ‘ex’. Unless specifically mentioned, all prices are ‘cum’ which means that all future dividends, bonuses and rights will accrue to the buyer. In case of doubt — which could arise if the trading date is close to the date on which a share changes status from ‘cum’ or ‘ex’ — it is always advisable to clarify the doubt with the broker before placing the order.

If shares are purchased when they are quoted ‘cum’ and sent for registration before the closure of books, dividends and other distributions are made to the new purchaser who henceforth will be the registered holder of the shares. However, if the books are already closed, it is the responsibility of the broker to collect the distributions (dividends, bonus or rights) from the seller and pass them on to the purchaser.
Transfer Deed

When you buy shares of a company, the seller will deliver through your broker the concerned share certificates accompanied by prescribed share transfer forms. These may be filled in by you and sent to the concerned company along with the share certificates for transfer in your favour.

Transfer of shares and debentures requires compliance with certain conditions as follows:

1. There should be a proper instrument of transfer.
2. The instrument should be duly stamped.
3. It should be executed by, or on behalf of, both the transferor and the transferee.
4. It should contain the name, address and occupation of the transferee.
5. It should be delivered to the company along with the relevant share certificates.

The transfer procedure is perhaps the biggest hurdle in share investment. The validity period of the transfer deed, which has to be date-stamped by the prescribed authority, is limited in the case of shares. This creates many problems for the brokers and the clients. Large funds get blocked if transfer forms become outdated. The problem gets aggravated if there is delay by the company or its transfer agents in the transfer of shares beyond the stipulated period of two months. As a result, investors who have paid money to their brokers for purchase of shares, may not receive share certificate for many months in some cases.
Under the provisions of the Indian Stamps Act, the transfer deed for transfer of shares is required to be stamped at the rate of 50 paise per Rs. 100 or part thereof, calculated on the amount of consideration. However, in case of transfer of debentures, the stamp duty is required to be affixed at the prescribed rates — as in force in different States — where the registered offices of the companies are situated — calculated on the face value of the debentures and not on the amount of consideration.
Arbitrage: The business of taking advantage of difference in price of a security traded on two or more Stock Exchanges, by buying in one and selling in other (or vice versa).

Arbitration: Settlement of claims, differences or disputes between members, clients, authorised clerks, sub-brokers and employees, through appointed arbitrators. A party dissatisfied with the award of the arbitrators is allowed to appeal to the arbitration committee.

At best: An instruction from the client to the broker authorising him to use his discretion and try to execute an order at the best possible price. An 'at best' order is valid only for the day it is placed.

Averaging: The process of gradually buying more and more securities in a declining market (or selling in a rising market) in order to level out the purchase (or sale) price.

Bargain: Transaction between two members of the same Exchange. The terms “dealings” and “contracts” also have identical meanings.

Bear: An individual who expects the prices to go down.

Bear Market: A weak or falling market characterised by absence of buyers.

Bull Market: A rising market with abundance of buyers and very few sellers.

Badla: Carrying forward of transaction from one settlement period to the next without effecting delivery or payment. This is permitted only in specified securities and is done at the making-up price which is the closing price of the last day of settlement, but in exceptional circumstances the board may use its discretion and specify a different making-up price.

A Badla transaction, however, attracts payment of "margin-money" specified by the board from time to time. Besides, the buyer pays (and the seller receives) contango or Badla Charges (interest charges) at rates determined in the trading ring based on demand and supply. The facility of carrying forward a transaction provides liquidity to the market.

Backwardation (“Ulta Badla” or “Undho Badla”): Payment made by a seller to a buyer for the loan of securities for which the seller wishes to defer deliveries.

Book Closure: Dates between which a company keeps its register of members closed for updating prior to payment of dividends or issue of new shares. A transfer deed date stamped prior to book closure but lodged with the company after the book closure is considered invalid.
Blue Chips: Shares of well established profitable companies enjoying high investment status.

Bonus: A free allotment of shares made in proportion to existing shares out of accumulated reserves. A bonus share does not constitute additional wealth to shareholders. It merely signifies recapitalization of reserves into equity capital. However, the expectation of bonus shares has a bullish impact on market sentiment and causes share prices to go up.

Cum: Means 'with'. A cum price includes the right to any recently declared dividend (cd) or right share (cr) or bonus share (cb).

Clearing Days: Or settlement days: Dates fixed in advance by the Exchange for the first and last business day of each clearing. The intervening period is called settlement period which is normally two weeks.

Cash Settlement: Payment for transactions on the due date as distinct from carry forward (badla) from one settlement period to the next.

Clearing House: Each Exchange maintains a clearing house to act as the central agency for effecting delivery and settlement of contracts between all members. The days on which members pay or receive the amounts due to them are called 'pay-in' or 'pay-out' days respectively.

Corner: A situation whereby a single interest or group has acquired such control of a security that these cannot be obtained or delivered on existing contracts except at exorbitant prices. In such situations, the Governing Board may intervene to regulate or even prohibit further dealings in that security. Concurrence of the Central Government has to be obtained if the prohibition is for a period of more than a few days.

Contango: Consideration or interest charges paid to seller for carrying over a transaction from one settlement to the next.

Crisis: Reckless heavy short-sales leading to unduly depressed prices. In such a situation, the Board may prohibit short sales, fix minimum prices below which sales or purchases are not permitted, and limit further dealings only to closing out of existing contracts.

Correction: Temporary reversal of trend in share prices. This could be a reaction (a decrease following a consistent rise in prices) or a rally (an increase following a consistent fall in prices).
Delivery: A transaction may be for “spot delivery” (i.e. delivery and payment on the same or next day), “hand- delivery” (i.e. delivery and payment on the date stipulated by the Exchange, normally within two weeks of the contract date); special delivery (delivery and payment beyond fourteen days limit subject to the exact date being specified at the time of contract and authorized by the Exchange) or “clearing” (clearance and settlement through the clearing house).

Ex: Means without. A price so quoted excludes recently declared dividend, rights, or bonus share.

Floating Stock: The fraction of the paid-up equity capital of a company which normally participates in day-to-day trading. On an average, about 30% of equity capital is held by promoters; another 30% by financial institutions and the balance 40% by the public, mostly for long term investment. Consequently the floating stock of a company rarely exceeds 15-20% of its equity capital. Low floating stock causes erratic price movement as in the case of securities in the non-specified list.

Governing Board: A Stock Exchange functions under the direction and supervision of its Governing Board. It generally consists of a specified number of elected members, a whole time executive director and representatives of the public and/or Government. The size and structure of the Board varies from Exchange to Exchange.

Jobbers: Member brokers of a Stock Exchange who specialise in buying and selling of specific securities from and to fellow members. Jobbers do not have any direct contact with the public, but they serve a useful function of imparting liquidity to the market.

Jobbers Spread: The difference between the price at which a jobber is prepared to sell and the price at which he is prepared to buy. A large difference reflects an imbalance between supply and demand.

Kerb Dealings: ‘Khangi Bhao’ or ‘Band ke Bhao’. Transactions done between members after the official close of the trading hours.

Limit Orders: Instructions to the broker limiting him to buying at a stated maximum price or selling at a stated minimum price.

Listed Company: A public limited company which satisfies certain listing conditions and signs a listing agreement with the Stock Exchange for trading in its major securities. One important listing condition is that a major portion of its issued capital should be offered to the public.

Long Position: A bull position in a security.
Making-up Prices: Prices fixed by the Stock Exchange to facilitate settlement of bargains in specified securities, particularly at the end of a settlement period.

Moarat: Auspicious trading on Diwali day during specified hours.

Members: A Stock Exchange does not recognize transactions between parties other than its own members (also called stock brokers). Every member is directly and primarily liable to every other member with whom he does a transaction, for its due fulfilment. The transaction could be for his own account or for the account of his principal (or client). Each member is allotted a clearing number to facilitate delivery and settlement through the clearing house.

Pari Passu: A term used to describe new issues of securities which have same rights as similar issues already in existence.

Right Issue: The issue of new shares to existing shareholders in a fixed ratio to those already held at a price which is generally below the market price of the old shares.

Settlement Period: For administrative convenience, a Stock Exchange divides the year into a number of settlement periods each of two to three weeks duration. The first and the last day of each settlement period are fixed in advance; so are the settlement days for delivery and payment.

Selling Short: Normally one buys a security first and then sells it later. This is described as going long, and is profitable in rising markets. The reverse process — selling a security first, and then buying it later, is called selling short. This is profitable in a declining market.

Specified Shares: For the purpose of trading, a security is categorised either as Specified shares or Non-specified security. For securities in the specified list, delivery and settlement is done only through the Stock Exchange clearing house. A security is classified as specified or non-specified by the Stock Exchange authorities.

Stamp Duty: The ad valorem duty of ½% payable by buyer for transfer of shares in his name.

Unit of Trading: The minimum number of shares of a company which are accepted for normal trading on the Stock Exchange. All transactions are generally done in multiples of trading units. Odd-lots can be traded only at a slight discount.

Volume of Trading: The total number of shares which changes hands in a particular company's securities. This information is useful in explaining and interpreting fluctuations in share prices.