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# Study of Security market operations and Types of Stock Market Transactions

**Jyoti Mittal**

jyotimittal2022@gmail.com

**Abstract**

To put it another way, the securities market is an economic institution that facilitates transactions between buyers and sellers of securities. When it comes to the sort of trades, they may be divided down into many distinct categories. Structure is another way to tell them apart. It is at this portion of the capital markets where new securities are issued that we refer to as the main market The financial market where previously issued assets and financial instruments, such as stocks, bonds, options, and futures, are purchased and sold is known as the secondary market or the aftermarket. Investors may buy from one another in the secondary market after the first issue. In the case of publicly traded corporations, the most obvious example of a liquid secondary market is the stock market. Investors who hold equities listed on exchanges like the New York Stock Exchange, Nasdaq, or the AMEX have access to a controlled, liquid secondary market. Over the counter trading of bonds and other structured assets is the most common way to buy and sell these items.

**Key words:** companies, Government, securities, market etc.

## Introduction

Business groups, corporate divisions, and federal and state governments all publish their own versions. These securities are also issued by public sector organisations. They utilise these securities to fund their long-term investments as well as their day-to-day operating expenses. Thus, the issuers have a source of income. These include partnership businesses, cooperative societies, private and public limited corporations (as well as joint and public sector organisations), etc. Companies registered in India under the Companies Act 1956 are the most common form of organisation. There are three kinds of businesses that fall within the purview of this Act:

- Limitation of liability; limited liability companies
- Corporations that are limited by paid-up shares in the form of private limited companies (LLCs); and
- The maximum number of shareholders for a private limited company is 50, and the shares themselves are not freely transferable.

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Trading in these corporations is prohibited since they have the right to reject any transfer of shares. Private limited corporations are unable to participate in the capital markets because of these restrictions. It is only public limited firms that may generate money from the public by issuing shares that are popular. The business sector raises money through issuing securities, either equity or debt instruments, to investors.

Securities are a kind of claim on money, similar to a promissory note or an inter-company agreement. Companies, governments, and others all rely on securities as a funding source. Money may be raised from internal or external sources, and securities are created when funds are obtained from outside sources.

**Types of Stock Market Transactions**

- **IPO**

Shares of a firm are offered to the general public for the first time during an initial public offering (IPO), also known as a stock market launch. A private corporation may become a public one by going through this procedure. An IPO is an offering of stock to the general public in exchange for a portion of the company's initial private investor cash. There is no need for a public corporation selling shares to pay back the cash invested by its investors. Shares are exchanged on the open market after an initial public offering (IPO). In most cases, an investment banking firm acts as an underwriter for a company that plans to go public. An important service provided by underwriters is the establishment of a public market for shares and the accurate valuation of stock shares (the share price) (initial sale).

- **Secondary market offering**

It is FINRA's definition of "secondary market offerings" that a big block of a previously issued security be offered to the general public in a registered secondary market offering. Blocks offered for sale may have belonged to major institutional or retail investors, and any revenues from the sale go directly to those individuals or institutions rather than the issuing business. Secondary dispersion is another term for this. Because no new shares are issued, a secondary offering does not dilute existing shareholders. The issuing corporation does not profit in any manner from the sale of the securities.

- **Transactions on Secondary Market**

Investors may buy from one another in the secondary market after the first issue. Securities are traded in the secondary market, where investors and speculators buy and sell them. As a result, the secondary market must be very liquid. An increasing number of investors and higher concentration of that marketplace tends to lead to an increase in liquidity in a particular market.

- **Private placement**

A private placement (sometimes known as a non-public offering) is a round of fundraising in which securities are offered to a select group of investors rather than the general public. Most often, the term "private placement" refers to a company's non-public issuance of stock (since, of course, any offering of shares in a private company is and can only be a private offering).

- **Stock repurchases**

Share buyback (stock repurchase) is the repurchase of a company's shares. As in the US and UK, a firm may buy back its own stock by giving current shareholders cash in return for part of the company's outstanding equity; that is, cash is traded for a decrease in the number of outstanding shares.. of that company. The repurchased shares are either retired or kept as treasury stock, ready for re-issuance by the firm.

**The external sources of funds of the companies are as follows:**

(**A) Long-term Funds**

- Equity and preference capital, as well as non-voting shares, make up a company's ownership capital.
- Debt capital includes debentures and long-term borrowings, such as deposits from the public or credit limitations, or loans from banks and financial organisations.

**(B) Short-term Funds**

- Loans from banks and corporations.
- Secondarily, trade credit and suppliers' credit, etc.

**Characteristics of securities**

Transferability and marketability are two of the most important features of securities. Trading and investing in them is made easier by them. Sections 82 and 111 of the Indian Companies Act govern the transfer of shares. In the case of public limited businesses, the Companies Act and the Listing Agreement with the Stock Exchanges are designed to facilitate the free and unrestricted transfer of shares. There are no exceptions to this rule under Section 82 of the Companies Act. These may be freely transferred, just like any other property right. For the first time since 1985, a public limited company may no longer refuse to transfer its shares save on technical reasons under Section 22(A) of the Securities Contracts (Regulation) Act (SCRA). Transfers may be denied for a variety of reasons, including those provided forth in the Act, and the firm must explain why it is denying the transfer and refer to the Company Law Board, whose ultimate judgement on the matter is binding. In this way, the market for shares is well-served, which in turn increases the liquidity of the shares in question. Indian securities markets have emerged as a result of this development.

**Options in securities**

Options on securities are not allowed under the Act. According to Section 20, any options in securities entered into after the start of this Act are unlawful, regardless of the provisions of this Act or any other legislation now in effect.

**Listing of securities by public companies**

'Listing' refers to the inclusion of securities on the stock exchange's official list for trading purposes. The securities of every company are not traded on a stock market. Therefore, it must choose the firms whose securities may be traded. The stock exchange's official trading list includes the firms chosen for this purpose. It signifies that the securities of these firms have been listed on the exchange in question, in terms of technical terminology.

**Right of Appeal against Refusal to List Securities**

There must be an explanation given to a publicly traded firm whose securities have been refused listing by a recognised stock exchange. An appeal to the Central Government may be filed within 15 days after receiving the grounds for the company's rejection. After providing the stock exchange a chance to be heard, the Central Government may then alter or set aside the stock exchange's judgement. After a decision is changed or overturned by the Central Government, the recognised stock exchange must operate in accordance with that order. The process of putting a stock on the market. Securities

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Contracts (Regulation) Rules, 1957 mandate that public companies seeking to list their securities on an established stock exchange must submit an application to the Stock Exchange, together with a copy of their certificate of incorporation.

**Application the following documents and particulars: —**

- articles of incorporation, and, in the event of a bond issuance, a duplicate of the trust deed;
- A copy of each and every prospectus the corporation has ever released, including statements in place of prospectuses.
- Copies of any securities subscription or sale advertisements, circulars, or offers over the last five years;
- Accounts for the past five years, or for new firms, for such a shorter time, for which accounts have been prepared, have to be provided.

**Problems in securities markets**

Any changes in the economy or political situation might have a significant impact on the stock market. These markets have a high level of speculation, hence regulation is a necessary evil. External variables' sensitivity has risen since economic and financial reforms in 1992. A lack of professionalism and the broker-banks nexus has resulted in a lot of frauds as globalisation and deregulation started to take hold earlier this century. In 1991-92 and 2000-01, even large banks became victims of scams. Even the U.T.I. was involved in a number of bank collapses due to corruption and incompetence, including mismanagement. When UTI's 64-scheme failed, urban corporative banks failed, and many financial and non-financial enterprises didn't return deposits, investors' faith in financial markets was shattered. The lack of regulation and oversight by the C.L.B., SEBI, and RBI is one clear explanation for the rise in financial system malpractices, which has eroded the trust of savers and investors.

**Conclusion**

The primary function of the stock market is to provide investors with a means of making short-term capital gains. This is made possible by professional investors in the securities market, such as broker/dealer/trustees, depository institutions, registrars, and market organisers. Certain financial and economic criteria, as well as certification standards for managers and experts of these businesses, are in place for those who participate in

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professional operations in the securities market. The securities market's backbone, the stock exchanges, serves as a focal point for a wide range of companies engaged in professional operations on the stock exchange. With the exclusion of depositary operations and actions to determine mutual liabilities, the stock exchange acts as the facilitator of trading on the stocks market. It is organised as a joint stock company or a non-commercial partnership. Organizing over-the-counter trading and stock exchange operations are not authorised to be combined. The method for adding and removing securities from the exchange's list of securities permitted to circulation is set by the Stock Exchange on its own.

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