

The Stock Exchange Corner

Glossary of Terms used in the Securities Industry

by George Edwards

Academic disciplines and industries develop their own specific terminologies and jargon. This can act as a barrier to communication between members of those disciplines/industries and non-members. Terms used in a particular industry may convey different meanings to members of that industry and non-members. This may lead to non-members, through lack of knowledge, misunderstanding or not understanding entirely the products and services and hence the benefits to be garnered from those industries. Therefore in an effort to bridge that kind of gap, we list below a list of terms and their meanings, that are used in the securities industry.

GLOSSARY

Ask

The price at which a security is offered for sale.

Asset value

The value of a company shown in its balance sheet as shareholders capital and reserves divided by the total number of shares outstanding.

Best bid/ask

The highest price at which a security is being bid and the lowest price at which it is being offered.

Bid

An offer to buy a security.

Broker

A person engaged in the business of effecting transactions in securities for the account of others [Securities Industry Act].

Capitalisation issue

The issuance of bonus shares to shareholders; such an issue does not change the value of the company, it simply increases the number of shares outstanding.

Cash Flow

(i) The increase or decrease in a company's cash and similar holdings year by year; it is often different from profit because of capital expenditure or because of provisions made by a company for future liabilities or because of timing

differences in receipts and payments.

(ii) The sum of net profit for the year plus the provision for depreciation.

Clearing agency

A person providing settlement related services specified in Securities Industry Act (SIA) s.3(1)(h).

Collective Investment Scheme

An arrangement with respect to property of any description the purpose or effect of which is to enable the persons taking part to participate in or receive profits or income arising from such property. [SIA - abbreviated] Unit trusts are collective investment schemes.

Common stock

Any issue of shares that are (1) called "common stock" or (2) not designated as being other than common stock (e.g. "deferred" stock, or "non-voting" stock, or "preferred" stock) or (3) limited in their entitlements to less than those specified under "share" in this glossary.

Cross listing

A practice by which stocks and shares listed on one exchange are also listed on another in a different country.

Dealer

A person engaged in the business of buying and selling securities for his own account who holds himself out, at all normal times, as willing to buy and sell securities at prices specified by him. [SIA]

Distribution

(i) Another word for dividend.

(ii) A specialised term for the purposes of the SIA relating to newly issued securities or securities subject to public offerings.

Dividend

A share of profits paid out to shareholders.

Earnings per share

The net profit available to shareholders divided by the total number of ordinary shares outstanding.

Equity security

Common stock.

Insider

A person, including an issuer itself, who by reason of his relation to an issuer has access to confidential, price-sensitive information.

Financial institution

A bank, investment company, insurance company, building society, unit trust, mutual fund or other entity providing savings facilities to the public.

Intermediary

- (i) A natural person carrying on the business of broking or dealing [SIA].
- (ii) Any broker who acts as an agent between investors.

IPO

Initial Public Offering, a first public offer of stock by an issuer, often connected with "going public" by obtaining a listing on the stock exchange.

Issuer

A company or public sector body that issues stocks.

Liquidity

Ease with which stocks may be bought and sold, demonstrated by the volume of purchase and sale activity, the availability of buyers and sellers ready to match incoming orders, and the low level of dealing expenses.

Limit Order Book

A record maintained by the Stock Exchange of unexecuted orders - usually on a computer.

Offer

The same as Ask.

Opening

- (i) The start of trading on the stock market.
- (ii) A "single price auction" procedure to establish the price of a security at the start of trading.

Order

- (i) An instruction by a customer to a broker to buy or sell a stock.
- (ii) A regulatory pronouncement by the Guyana Securities Council (GSC) or Guyana Association of Securities Companies & Intermediaries Incorporated (GASCI).

Over the Counter Market

A securities market that is not associated with an exchange, also called an OTC market.

Next week: Glossary of Terms used in the Securities Industry - continued
N.B. – More information may be accessed on our website: www.gasci.com