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## FOREIGN EXPERIENCE OF FUNCTIONING STOCK EXCHANGE

## ЗАРУБІЖНИЙ ДОСВІД ФУНКЦІОНУВАННЯ ФОНДОВИХ БІРЖ

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*Studied international experience of the functioning of stock exchanges and its comparison of Ukraine. There are an appropriate foreign skills directly in countries with developed market economies. Model characterizes is the main financial markets of the world. Problems and Solutions are of the stock market in Ukraine.*

**Keywords:** stock exchange, stock trading, stock market, income, sponsorship, stock brokers, corporations, demand, supply, exchange committee.

*У статті досліджено зарубіжний досвід функціонування фондових бірж та його порівняння з Україною. Наведено доцільні іноземні навички, безпосередньо на державах з розвинутою ринковою економікою. Охарактеризовано головні моделі фінансового ринку світу, проблеми та шляхи вирішення діяльності фондового ринку в Україні.*

**Ключові слова:** фондова біржа, біржова торгівля, фондовий ринок, доходи, фінансування, біржові посередники, акціонерні товариства, попит, пропозиція, біржовий комітет.

*В статье исследован зарубежный опыт функционирования фондовых бирж и его сравнение с Украиной. Приведены целесообразные иностранные навыки непосредственно на государствах с развитой рыночной экономикой. Охарактеризованы главные модели рынка мира, проблемы и пути решения деятельности фондового рынка в Украине.*

**Ключевые слова:** фондовая биржа, биржевая торговля, фондовый рынок, доходы, финансирование, биржевые посредники, акционерные общества, спрос, предложение, биржевой комитет.

Problems effective functioning of stock exchanges and enhance the process of buying and selling securities become increasingly important for the economic development of Ukraine. This is because the domestic stock exchange, which is a mandatory attribute of a market economy and an important element of financial infrastructure, does not fulfill the inherent function of raising funds in the financial system and does not provide direction and their redistribution in promising industries. Is relevant to study the problem of creation and development of well-functioning capital market that can provide the economy a sufficient number of investment resources that are necessary for sustainable economic development of the state.

Central to the stock market is the stock exchange. Indicators of trading, including the dynamics of securities is a reliable benchmark for investors. Stock markets in developed countries are focusing a significant portion of the securities market. In most countries their permanent address determines the existence of stable secondary market is essential and characteristic feature of active stock exchange.

These essential qualities of Ukrainian stock exchanges have not yet. The crisis in the economy,

privatization certificate, extremely low income majority of the population does not contribute either a stable stock market in general, no securities exchange and most stock markets in particular. Although the stock exchanges are actively involved in the processes of the money stage of privatization, they were unable to host the stable and liquid secondary market for corporate securities.

Low income Ukraine stock markets resulting from the exchange of small amounts of securities turnover, are a serious obstacle to their technical upgrading, which would correspond to modern international standards. On the other hand, extremely low liquidity of the stock market is doing economically inefficient high cost of establishment and operation of the relevant technical systems. Far from optimal infrastructure and very organized securities market.

Research of stock exchanges are an important scientific problem a considerable number of both foreign and domestic scientists and economists. To foreign scientists and economists include: Roberta L. Smita, R. Hlena Habbarda, F. Mishkina, U. Sharpa, kray, B. Rubtsova. Their research affecting mainly the causes, consequences and factors

of stock exchanges, mechanisms to improve the efficiency of trading.

Proceedings of domestic scientists and economists such as: E. Avstanin, T. Vorozhko, B. Kushniruk, devoted primarily to the study of foreign experience to create an effective mechanism of functioning of the stock exchanges and the possibility of its application in Ukraine.

However, not all aspects of the multifaceted problem were clarified and an appropriate justification. This question is controversial and discussion. At the same time market model of economic development of Ukraine needs further study the functioning of stock exchanges. First of all, it concerns questions assessing the impact of government regulation on the efficiency exchange trading and improving the management mechanism of the stock exchange as an important condition for ensuring transparency of stock exchange transactions and directions of increase efficiency of exchange trade in domestic economy.

Formed the first stock exchange in Amsterdam XVII century [4]. It transactions with securities, on whole society carried on commodity exchanges. Key positions in exchange auctions seized shares and bonds of private companies. At that time in the Netherlands, it has played a significant importance in the financial sector of the country. It carried quotes of almost all types of securities of different issuers.

At the end of XVII – early XIX century. the significance of stock market increases. Realizes the process initial capital savings. In Europe and America there are initial equity of banks and industry, even though at the time securities transactions not conducted a significant impact on financial processes. Stock markets did not instantly, but due course entered in the financial and economic relations. Free competition is guaranteed almost unlimited exchange transfusion big money from industry to industry, avoiding national distribution by using the the stock exchange and the area of lending. Such a substantial increase in social production, which dominated much demand led to a significant increase in degree of life, and in addition to changes in economic of significance of money in the system of financial relations [1].

In case a pay attention to foreign experience, directly in countries with developed market economies, in which case the of stock exchanges work Ukraine was successful. Thus, the capitalization of stock exchanges in Ukraine 2011 was generally 24,5 billion. US. USA, while in the US – 13 896 billion. US. USA, Germany – 1 153 billion. dollars. USA, in France – 1 109 billion. dollars. USA, Poland – 98.74 billion. dollars. USA [7]. Such slight degree formation of stock exchanges Ukraine due characteristics of the securities market in the country, its fragmentation and disorder. Since the foundation stage on stock exchanges not carried out high quality shifts, and for that reason they do not do inherent functions under attraction, reallo-

cation of funds and its direction in the real sector. Under these circumstances considered particularly important problem in accordance with the installation directions forming stock exchanges in foreign countries and worldwide experience using skills to build a successful exchange system in Ukraine.

Stock Exchange allows for the concentration of supply and demand of securities from their balance stock pricing, really reflects the level of efficiency of the share capital. From the legal point of view is the stock exchange intermediary financial institution regulated mode of operation, where the trade agreements between sellers and buyers of stock exchange values involving mediators officially confirmed by the rules. These rules are set by the Exchange as well as national legislation. Stock Exchange itself and its staff do not carry out operations with securities. It only creates the conditions necessary for their implementation, serves these operations, binds the seller and buyer and premises advisory and arbitration services, maintenance and everything you need to deal could happen.

As a public-law stock exchange organization is under constant public control. The state is involved in drawing up the rules of exchange trade and supervises their implementation, ensure law and order on the Exchange during trading. Public-legal type of stock exchange is common, such as Germany and France.

Stock exchanges as private companies are joint stock companies. Such exchanges completely independent in the organization of exchange trade. All transactions on the Exchange pursuant to the applicable national law, the violation of which involves a liability. The state does not assume any guarantees regarding the stability of exchange trade and risk reduction trade agreements. This type is typical for England and the USA. If the stock markets are created as joint stock companies, but at least 50% of their capital belongs to the state, they are of the mixed organizations. At the head of these exchanges are elected stock agencies. Such exchanges operate in Austria, Switzerland and Sweden. Buy concentrates supply and demand for the purchase and sale of securities, determine the ratio between the current supply and demand, the result of which is the price as an expression of the balance of temporary and relative, but sufficient for the implementation of an agreement.

Today there are two main models of financial markets:

- 1) bankotsentrychna – oriented banks and inherent powers of continental Europe and Japan;
- 2) stock – oriented stock markets and inherent in the USA, UK and Australia [6].

Bankotsentrychna form of financial market implies a need for life stock exchange, but the main economic activities are considered investment intermediary banks directly, they can combine the banking operations with operations in Stock Exchange. Stock market model implies the need for the existence of the stock exchange, which has the prop-

erties of the main economic intermediary between lenders and borrowers. Traditional banks are prohibited for investment work, this work perform specialized investment banks. Thus, according to the stock model of financial market significant role to play stock exchange. In this case, bankotsentrychna model also includes the possibility of a stock market presence as well as a significant element of banking cooperation, but to a much lesser extent.

The stock exchange provides an institutionalized, regular working market, which traded securities. The degree of formation of trading is considered an indicator of business activity of the state, which accumulates data on securities and the conditions of their treatment, and in addition reflects the impact of the market economy in full. According to the comparison with countries with developed market economies, the degree of power exchanges Ukraine, which is considered a sign of capitalization, and very little is generally 0.4% of total world GDP while the US – 21.1%, Japan – 7%, Germany – 4.5%, Russia – 2.6% [5].

For the effective functioning of stock exchanges can offer a classification of participants of exchange trade, which, depending on their functions provides them the division into two groups:

- 1) main;
- 2) subsidiary.

An important task of the main participants of the stock exchange is to provide an active and transparent process of sale of securities and protect the interests of exchange trade. This group includes: issuers and investors, institutions, regulators and special agencies of state regulation. An important task of supporting the participants of exchange trade is to provide reliable and timely execution of the concluded on the stock exchange securities transactions. This group includes: depository, clearing and settlement institutions, trust institutions, special guarantee fund. The proposed division of Stock Exchange considers the priority of issuers, investors, self-governing organizations and regulatory agencies in the implementation of exchange operations and reflects the need for the presence of auxiliary services for such operations.

At present in Ukraine, if starting from the current state of the stock market then the organized market may enroll:

- exchanges that provide daily information on concluded contracts and counterparty;
- commerce and information systems that provide information about transactions, but without disclosing counterparty;
- securities traders who provide quarterly to the Commission (information on prisoners executed agreements specifying the counterparty), which are major operations purchase and sale of securities are made through intermediaries.

If an intermediary buys securities obtained through loans or their own money and then sells them at a higher price, then it is called OTC market dealer. Other agents that bind him with buyers or

sellers called brokers. Brokers have their charter, which defines the management, reception to the members of the stock exchange, their functions and more.

Managing body Stock Exchange Committee considered the exchange, in which the Commission operates exchange allows or denies admission of new securities to quotation. In the presence of exchange committees also are quoted commission dealing with the daily publication of information on the number of sold securities, their rate of exchange bulletins [3].

Today the stock exchange in Ukraine not perfect and is in a period of development. In exchange trade is quite different problems. Chief among them, such as:

- 1) Not a great recommendation capital market instruments in accordance with the conclusions of the adoption of such problems as: liquidity, profitability, security and other directly interested investors.
- 2) The lack of sufficiently effective mechanism for investor protection, difficulty in respect of reconstruction, and consequently limited on debt market values.
- 3) Imperfectly developed legislative regulation in the stock market, this is what makes the actual absence of a market of derivatives.
- 4) A small supply of investment capital.
- 5) Insufficiently high level of capitalization of the national stock market and others.

In our opinion, in order to improve the functioning of the stock market, both domestic and foreign markets and the need to:

- 1) Improve the informative area of the stock market, in this case, to make it the most transparent.
- 2) To increase the degree of liquidity, capitalization and other levels of stock exchanges, which declined the most in this period of development.
- 3) Improve market infrastructure using industry consolidation and informative exchange stock market system, and in addition to increase in terms of professional participants in the stock market.
- 4) Improve self-regulation in the securities market.
- 5) make this market more popularized.
- 6) Increase the effectiveness of state regulation of the securities market.
- 7) Develop the most appropriate conditions, especially tax climate for all participants in the stock market.
- 8) Improve perfect order and currency regulation action in the stock market.

Effective functioning of stock exchanges, in our opinion, is also possible by ensuring transparency of stock exchange transactions. To solve this problem a mechanism to ensure transparency of operations on the stock exchange, which provides a set of forms and methods of accurate and timely disclosure of issuer information on the results of economic activities and a continuous flow of information from issuers to investors.

For a complete, timely and accurate disclosure of economic performance company – issuer of

securities proposed to use progressive forms and methods of accounting and reporting, and follow the frequency to provide information relevant state structures. Through the implementation of these measures will allow the formation of an information database of the actual value of the securities issuers and growth prospects of the cost.

Transparency stock exchange transactions based on continuous flow of information from the issuer to the investor will be possible due to:

- 1) design software for receiving and processing data information received from issuers;
- 2) Analysis and systematization of information on the securities market in areas of distribution;
- 3) location information data on the Internet and in specialized publications and more.

These measures will organize information data on the state of the stock market and ensure their accessibility for all stakeholders.

The final step to ensure the transparency of stock exchange transactions is a procedure for getting investors of details about operations on the stock exchange. For this prompted a consulting center for investors, who carry out their analysis of complaints and conduct outreach to them. However, to provide investors a complete and accessible information on securities and enable investments on the stock exchange will be established stock information centers in all regional cities. A promising measure in the context of transparency, exchange operations considered as the creation of special sites freely available on the Internet, which show information about the dynamics of exchange trade, the economic activities and financial con-

dition of issuers of securities prices and so on. Transparency exchange transactions is only possible through the introduction of a comprehensive mechanism to ensure transparency of operations on the stock exchanges of Ukraine.

The mechanism of transparency of stock exchange transactions with the mechanism of improving the system of management of the stock exchange, are considered in the context of the two main components of the mechanism of improving the functioning of stock exchanges in Ukraine (Fig.1).

This mechanism allows free access to of exchange trade to all participants of the exchange process. Especially important in this case is the protection of investors, transparency of pricing and transparency of all stock exchange transactions that result will increase the level of the national stock market.

Also, the need to improve the existing depository system, bringing to perfection and adapting it to changes that have occurred in the legislation of Ukraine in recent years according to trends in the domestic and global financial markets, taking into account international standards and recommendations of depository accounting of securities. But also eliminate the shortcomings in the accounting system of ownership of securities and solve difficulties providing scientific and technical consolidation of the professional participants in the depository system of Ukraine, to break the corporate incidents related to keeping registers of registered securities [4].

Under such conditions, Ukraine should have improved, transparent stock market. Also, com-

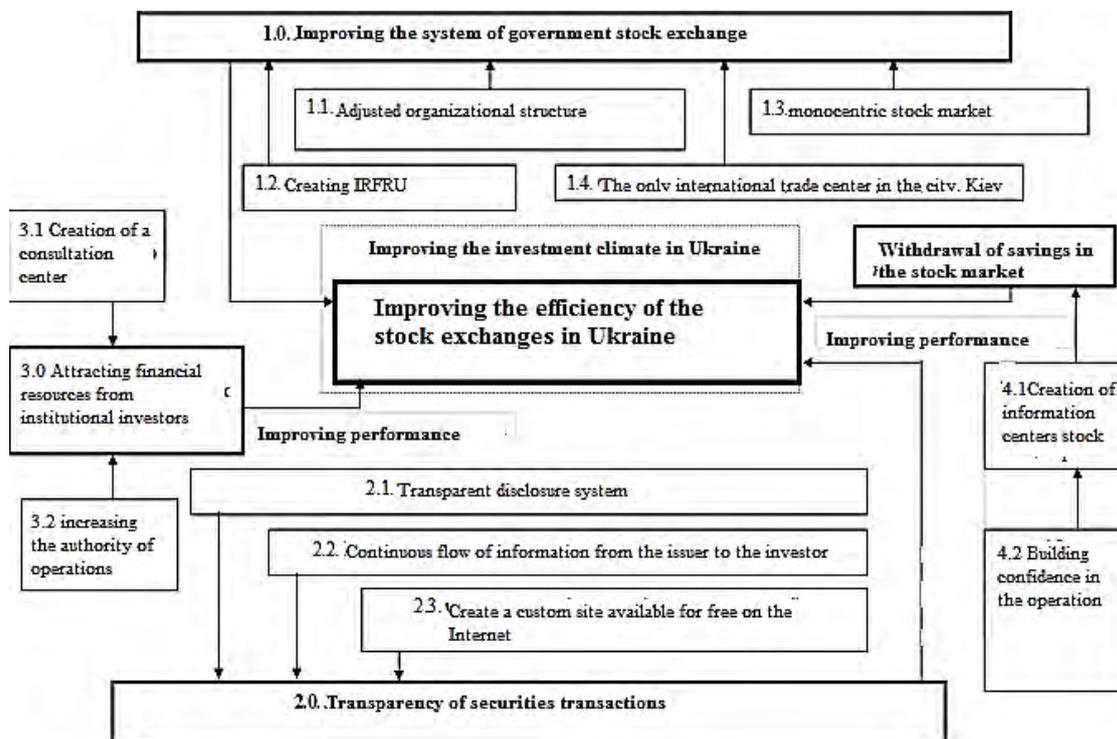


Fig. 1. The components of the mechanism of improving the functioning of stock exchanges in Ukraine [2]

pared with other EU countries. That is to considerably increase the investment attractiveness of Ukraine as the stock market as a whole and its individual segments.

Thus, we can conclude that today the problem of stock exchange, is highly relevant. Yes, it requires developing a better-functioning new conditions. Therefore, if we do not take all the qualitative development for the securities market

with a crane, and analyze the development of the stock markets of all countries, and only after that will create a more optimal option, which would we approached, both at the legislative level and other levels of the country, taking into account national peculiarities of Ukraine. So in this case, increase the level of development of the securities market and increase the investment attractiveness of the country as a whole.

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