**A Comprehensive Guide to the London Stock Exchange - History, Trading Mechanism and Top Listed Companies**

The London Stock Exchange, or LSE, is one of the most important financial markets in the world. Located in the heart of London's financial district, the LSE serves as the main stock exchange for companies in the United Kingdom. Every day, billions of dollars worth of stocks, bonds and other securities are traded within its market.

As one of the earliest formalized financial markets, the LSE has played a pivotal role in Britain's economic success over the past centuries. It can trace its origins back to the 17th century when traders regularly met at a coffee shop to trade stocks and discuss business deals. This informal gathering eventually became the foundation for what we now know as the LSE.

Having operated continuously for over 300 years, the LSE today is home to some of the largest public companies across the globe. Its global connections and access to immense investor capital provide a crucial platform that helps businesses obtain funding and investors achieve returns. The exchange's rich history and significance make it a financial epicenter of global importance.

## **History of the London Stock Exchange**

The London Stock Exchange (LSE) has a long history dating back to the 1600s. It all started in 1698 when a broker named John Castaing began posting stock and commodity prices in a coffee shop in London. This was one of the first steps towards creating an organized stock exchange.

In 1801, the first set of rules and regulations were established to make trading safer and prevent fraud. Brokers had to pay a fee to be part of the official London stock exchange. This marked the beginning of the regulated stock exchange that we know today.

Over the years, different regional stock exchanges emerged across the UK. In 1973, these were merged to form the Stock Exchange of Great Britain and Ireland. This became known simply as the London Stock Exchange (LSE).

A big change came in 1986 with the "Big Bang." This was when the British government deregulated the London stock market. Trading moved from a traditional open-outcry system to electronic trading. This made trading much faster. It also opened the LSE up to global competition.

In 2007, the LSE merged with the Milan Stock Exchange in Italy to form the London Stock Exchange Group. Today, the LSE is one of the largest stock exchanges in the world. It provides companies access to large pools of money from investors. Over 6000 companies from more than 70 countries are listed on the LSE.

## **How does the London Stock Exchange work?**

The London Stock Exchange, or LSE, acts as a place where buyers and sellers can meet to trade company shares and securities. It brings together those who want to buy shares of companies with those who want to sell them.

The exchange has two main segments for trading - the Main Market and the Alternative Investment Market (AIM). The Main Market is for larger, well-established companies. It is divided into different sectors like healthcare, financials, industrials, etc. Some well-known British companies listed here are Shell, HSBC, Unilever, etc.

The AIM is meant for smaller businesses to raise money. It has less strict rules than the main market. This allows young companies to get funds to grow their business. Many startups from sectors like technology choose to list on the AIM first.

To be listed on the Main Market, companies must meet certain criteria like minimum share price, number of shares issued, business history, and size. Premium listed companies on the main market need to follow tougher European Union rules. Standard listed companies have an easier time meeting the requirements.

Trading happens electronically now. Earlier brokers would shout out orders on a trading floor. Now, systems match buyers and sellers automatically. Anyone can buy shares through a stockbroker during market hours, from 8:30 am to 4:30 pm, from Monday to Friday.

In this way, the London Stock Exchange acts as a central place, bringing together companies looking to raise money and investors looking to put their money into businesses. It allows people to buy a part of growing companies easily.

## **Major indices of LSE**

The London Stock Exchange has several important stock market indices that track the performance of top companies listed on the exchange. Some of the major indices are:

### **FTSE 100**

Also known as the Footsie, it is the most followed index of the LSE. It comprises the 100 largest companies that trade on the LSE Main Market by market capitalization. Some top companies that make up the FTSE 100 include AstraZeneca, Shell, HSBC, Unilever, BP, Diageo, Rio Tinto, British American Tobacco, Glencore and GSK. These companies represent over 75% of the total market value of all companies listed on the LSE.

### **FTSE 250**

This index includes the 101st to 350th largest companies listed on the LSE Main Market by market cap. While it doesn't receive as much attention as the FTSE 100, it still tracks many large publicly traded British companies. The constituents of FTSE 250 change frequently as companies move in and out based on market cap fluctuations.

### **FTSE AIM 100**

This index tracks the performance of the largest 100 companies listed on the LSE's Alternative Investment Market (AIM). The AIM is designed for smaller, growing companies with less stringent listing requirements than the Main Market. The constituents of FTSE AIM 100 tend to be more diverse and volatile than the larger cap indices.

So, the FTSE 100 and FTSE 250 are the major large and mid-cap indices for tracking the performance of top UK companies trading on the LSE Main Market. The FTSE AIM 100 complements them by covering smaller companies in the AIM segment. Together, they provide important benchmarks for measuring the health of the UK stock market.

## **Trading hours and holidays**

The London Stock Exchange is open for trading between 8:30 am to 4:30 pm from Monday to Friday. However, there are some stock market holidays when the exchange remains closed.

Some of the major holidays include - New Year's Day (1st January), Good Friday, Easter Monday, Early May Bank Holiday (1st Monday of May), Spring Bank Holiday (last Monday of May), Summer Bank Holiday (last Monday of August), Christmas Day (25th December), Boxing Day (26th December). The exchange also closes at 12:30 pm on Christmas Eve and New Year's Eve.

In addition, the LSE is closed for two days every year to remember the Queen's birthday in June. The stock exchange remains shut on occasions such as royal weddings or funerals. However, the trading platforms and systems are daily operational for order matching and trade reporting purposes.

The holidays allow market participants to break from their busy trading schedules. It helps rejuvenate their mind and body to make thoughtful investment decisions. The closed holidays maintain a healthy work-life balance for traders and keep them motivated throughout the year. The holidays and fixed trading hours help bring more discipline and structure to the stock market.

## **Top listed companies on the London Stock Exchange**

The London Stock Exchange is one of the largest stock exchanges in the world. It is home to many mega-cap multinational companies. Here are some of the top companies listed on the LSE by their market capitalization:

### **AstraZeneca**

AstraZeneca is a British-Swedish pharmaceutical company. It is the largest healthcare company in the UK by revenue and market cap. AstraZeneca has a diverse portfolio of products across major therapeutic areas such as cancer, cardiovascular, renal, and metabolism. Some of its top-selling drugs include Tagrisso, Farxiga, and Lynparza. As of January 2023, AstraZeneca had a market capitalization of around £177 billion.

### **Shell**

Royal Dutch Shell, commonly known simply as Shell, is a multinational oil and gas company. Shell operates in over 70 countries worldwide and explores crude oil and natural gas. It also produces oil and natural gas and operates gas and power markets. As of June 2023, Shell has a market capitalization of over £169 billion, making it the second largest company on the LSE.

### **HSBC Holdings**

One of the world's biggest banks and financial services companies is HSBC Holdings. HSBC has its headquarters in London and has offices in 64 countries to service clients globally. It offers various financial services, including personal financial services, commercial banking, capital markets, and wealth and asset management. HSBC's market capitalization was around £116 billion as of January 2023.

### **Unilever**

Unilever is a British-Dutch transnational consumer goods company which is co-headquartered in London and in Rotterdam. It owns over 400 food, beverage, cleaning agent, and personal care product brands. Some of its popular brands are Dove, Lifebuoy, Knorr, Lux, and Vaseline. Unilever had a market capitalization of around £106 billion as of January 2023, making it one of the world's largest fast-moving consumer goods companies.

### **BP**

BP is a British oil and gas corporation with its global headquarters in London. It explores for and extracts oil and gas, produces fuels and petrochemicals, and provides low-carbon energy solutions. BP operates in Europe, North and South America, Australasia, Asia, and Africa. As of January 2023, BP had a market capitalization of approximately £88 billion.

### **Diageo**

With an exceptional portfolio of brands across the spirits, beer, and wine categories, Diageo is a world leader in the beverage alcohol industry. These include Johnnie Walker, Smirnoff, and Guinness. Diageo sells its products in more than 180 countries around the world. As of January 2023, the company had a market capitalization of about £83 billion.

### **Rio Tinto**

Rio Tinto is a leading international mining company headquartered in London. It explores aluminum, copper, diamonds, gold, industrial minerals, and uranium. Rio Tinto has operations spread across 35 countries. Its market capitalization as of January 2023 was approximately £79 billion.

### **British American Tobacco**

British American Tobacco is one of the world's largest tobacco companies. It manufactures and sells cigarettes, cigars, rolling Tobacco, e-cigarettes, and other nicotine products. Its popular cigarette brands include Dunhill, Kent, Lucky Strike, and Pall Mall. British American Tobacco had a market capitalization of around £71 billion as of January 2023.

### **Glencore**

Glencore is one of the world's largest globally diversified natural resource companies. It involves metals and minerals, energy products, and agricultural products. Glencore's operations span across 35 countries. It had a market capitalization of approximately £70 billion as of January 2023.

### **GlaxoSmithKline**

GlaxoSmithKline is a science-led global healthcare company that researches, develops, and manufactures pharmaceutical medicines, vaccines, and consumer healthcare products. GSK's top-selling products include Advair, Augmentin, Horlicks, and Sensodyne. As of January 2023, GSK's market capitalization was around £59 billion.

This gives an overview of some of the largest and most influential companies listed on the primary market of the London Stock Exchange based on their market capitalization. These companies represent different sectors of the economy and have strong international operations.

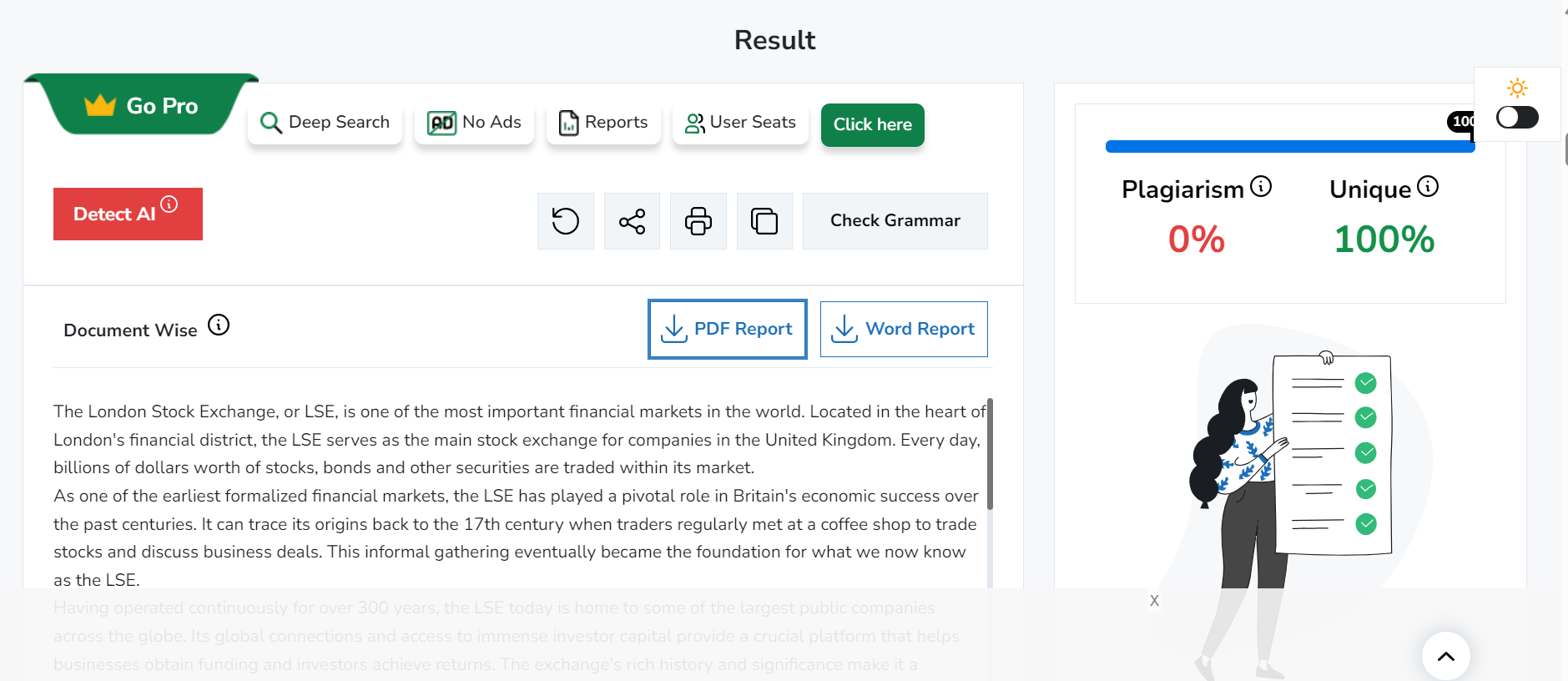
## **Benefits of listing on LSE**

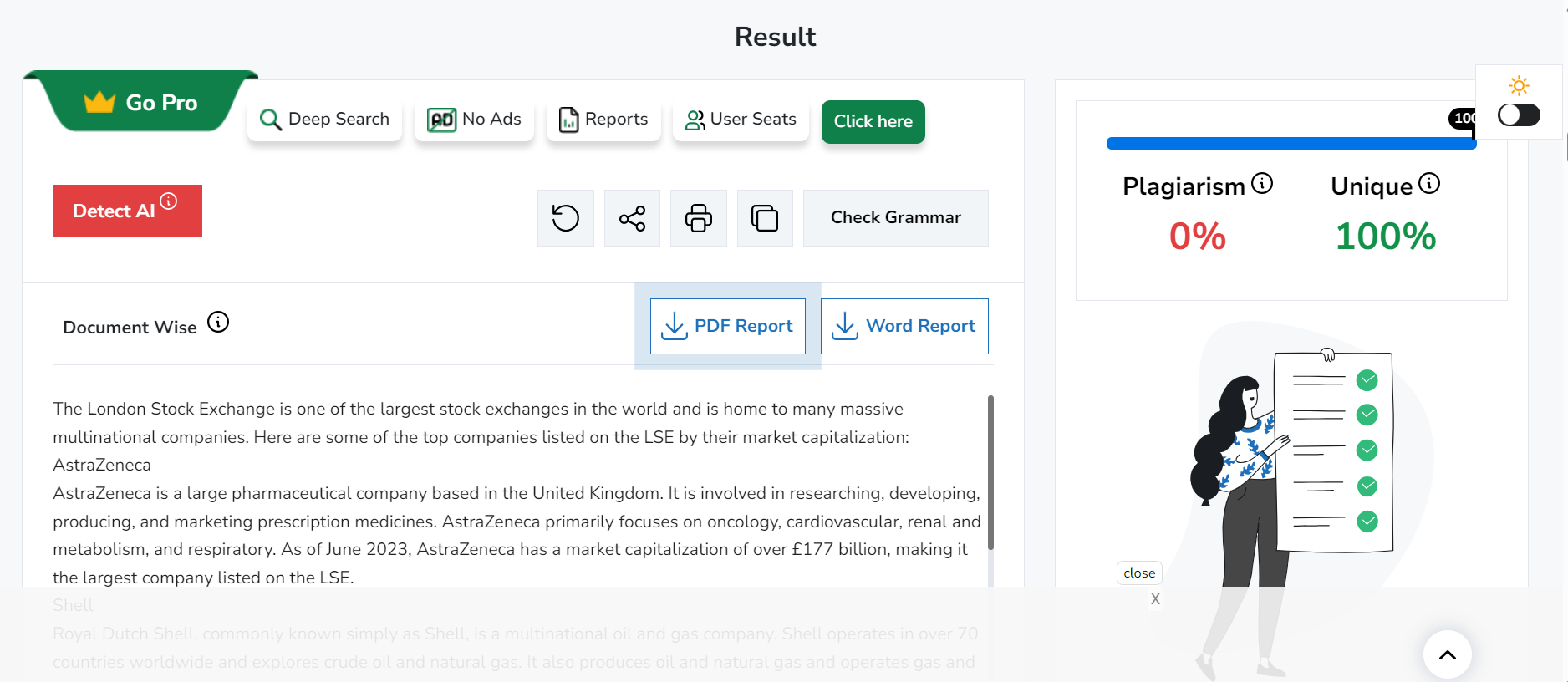
Here are some key benefits of listing on the London Stock Exchange (LSE):

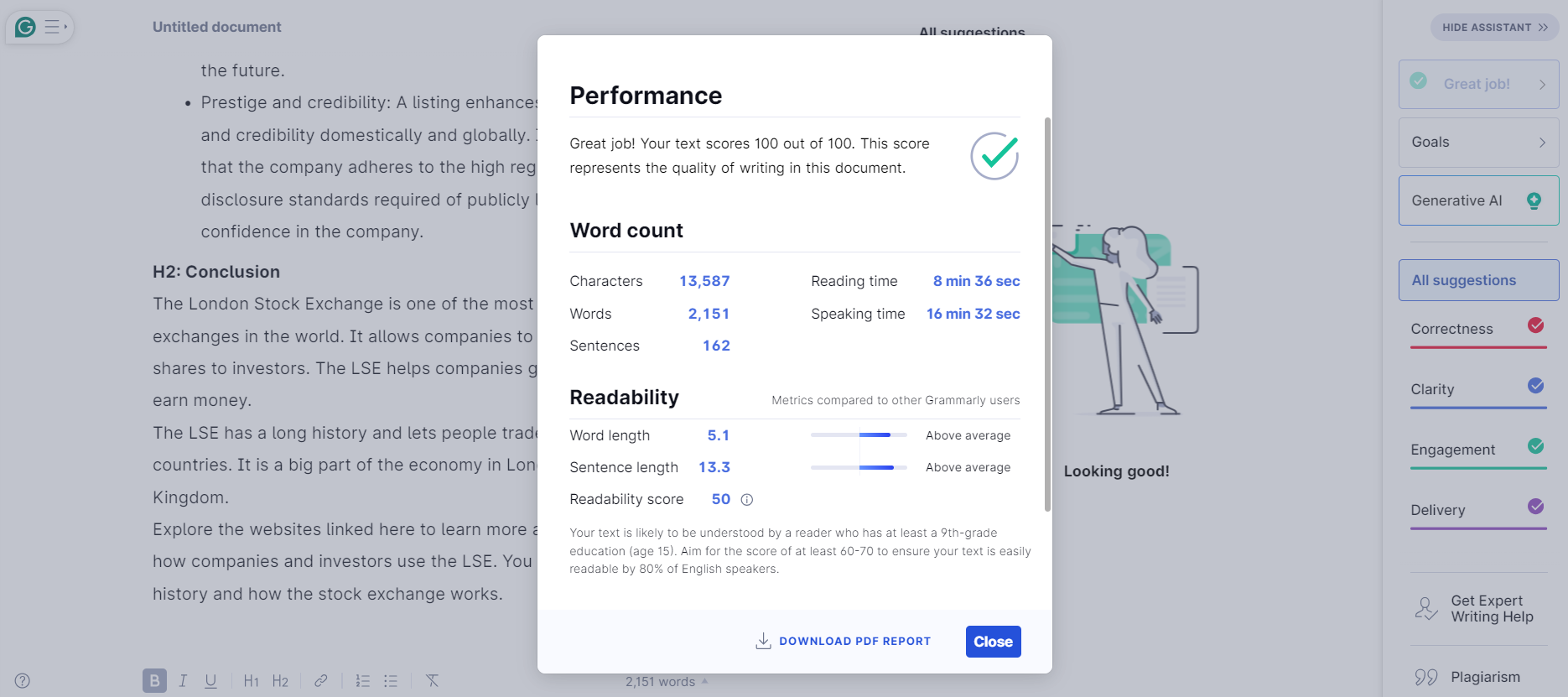
* **Access to deep liquidity pools:** The LSE provides access to one of the world's largest pools of investor capital. Companies can raise funds efficiently by issuing new shares on the exchange. This large source of funds allows companies flexibility in financing operations and expansion.
* **Visibility and research coverage:** A listing on the LSE enhances a company's profile and credibility globally. Being publicly traded means more coverage from financial analysts and business media. This visibility can help attract more investors and business partners. It also helps create awareness about the company's brand, products, and services.
* **Inclusion in benchmark indices:** Some of the most followed indices in the world are based on the LSE, including the FTSE 100 and 250. A listing in the premium segment makes a company eligible for inclusion in these indices. This can boost its stock price as index funds have to purchase shares of included companies. Inclusion signals to investors that the company meets high standards of governance and transparency.
* **Access to capital markets:** The LSE provides domestic and international capital markets. Companies gain the ability to raise funds from a wider pool of institutional and retail investors across the globe. This opens up flexibility to issue new equity or debt in the future.
* **Prestige and credibility:** A listing enhances a company's prestige and credibility domestically and globally. It signals to stakeholders that the company adheres to the high regulatory, transparency, and disclosure standards required of publicly listed firms. This boosts confidence in the company.

## **Conclusion**

The London Stock Exchange has evolved tremendously over centuries to become one of the largest and most diverse stock exchanges globally. It provides access to deep liquid capital pools through listings on the Main Market and AIM segments. Major reforms like Big Bang modernized trading while maintaining the LSE's position as a premier marketplace. Top British companies utilize listings to raise funds and benefit from inclusion in leading indices. With continued innovation, the LSE remains well-positioned to connect global capital to a wide range of opportunities.





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