Week-10
CM ASSIGNMENT

1). Role and Function of the Secondary Market:-

Role of Secondary Market :-

* The Secondary Market is where previously Issued financial Instruments such as stocks, bonds, and other securities are bought and sold among Investors.

* It plays a critical role in the financial System by providing Liquidity, price discovery and market Confidence.

functions of ~~Sector~~ ondary Market:-

Its key function include:-

Liquidity provisions:-

The secondary Market allows Investors to buy and sell Securities easily, ensuring that they can quickly Convert their Investments into Cash.

Price Discovery:-

Through the Constant buying and selling of securities, the Secondary Market helps in determining the current Market price of securities.

Efficient Capital Allocation:-

The secondary Market allows Investors to reallocate their Capital from one asset or company to another, promote efficient allocation of resources in the economy.

Risk Distribution:-
Investors can buy or sell securities as their risk tolerance or investment goals change.

Continuous Trading:-
Investors are not bound to hold securities until maturity or indefinitely.

2. Types of Secondary Market:-
There are two main types of secondary markets:-

Stock Exchanges (organized secondary Markets)

* These are formal, centralized market places where securities are listed and traded. Stock exchanges operate under strict regulations and provide a transparent, standardized environment for trading.

* Examples:- New York Stock Exchange, London Stock Exchange (LSE).

* Regulated:- Governed by national regulatory bodies.

Centralized:- Transactions occur on a common platform.

Public:- Trading data (such as price and volume) is publicly available.

2. Over - the - Counter (OTC) Markets (unorganized Secondary Markets):-

* In OTC markets, securities are traded directly between two parties without a centralized exchange.

* OTC trading is usually used for bonds, derivatives, and smaller stocks not listed on major exchanges.

Examples:- U.S government bond Market, Currency Markets.

* Decentralized :-
No central location or exchange; trades happen via dealer networks.

Customizable :-
Terms of the trade, such as price, can be negotiated between buyer and seller.

Less Transparency :-
Prices and trade volumes may not be publicly available, leading to reduced transparency.

S.D