

handled by an exchange officer who matched the orders and advised clients accordingly in the absence of any form of regulations. In 1996, the first securities market legislation was introduced and the regulatory authority called Capital Markets Development Authority (CMDA) was set up. The SPSE also introduced the first phase in active trading of stocks, an Open Outcry System where orders were shouted and prices were matched and chalked up on the trading board. CMDA is now administered by the RBF as the Capital Markets Unit.

In 2000, the Exchange changed its name to the South Pacific Stock Exchange (SPSE), with a view to becoming a regional exchange. In 2010, the Open Outcry System of trading was replaced by an automated trading system, supplied under licence by the NASDAQ OMX Group and is accessed through a sub-licensing arrangement through the National Stock Exchange of Australia (NSX). This electronic trading system links up stockbrokers from anywhere and allows transactions to be made in the order in which they are entered. This may not match the drama of the previous outcry system but is much more efficient especially when brokers are not required anymore to avail them-

selves physically at 10.30am daily at the SPSE trading floor.

How does the stock market work?

The stock market works on the same basic principal of supply and demand that any other market works on. When demand for a particular stock is high and supply is limited, price would tend to go up. And when demand is low and there are many sellers in the market, price is bound to drop. The price of a stock is a vital indicator of the company's viability and it is also important to look at past performance together with future economic prospects of the company to determine which way the share price may go.

The stock market tends to deliver long-term returns despite being volatile in the short term. No other investment vehicle is as closely and directly related to the many aspects of an economy as the stock market. Once you understand how it functions, stock investing can be a great way to generate income in years to come whether you want to save up for retirement, set up an income stream or become a major player in the stock market.

DISCLAIMER

The contents of this leaflet are believed to be correct at the date of issue. They are intended for general purposes only and are not to be considered as providing securities recommendations or advice. The SPSE does not give any warranty or accept any liability (whether arising from negligence or otherwise) for any error or omission, or for any loss arising from acting on the information in this publication, except where law liability cannot be excluded.

All investments are subject to some degree of risk, including possible delays in repayments and loss of income and principal invested. The SPSE does not guarantee investment performance or return of capital invested.

Call 330 4130 or fax 330 4145 or email info@spse.com.fj



South Pacific Stock Exchange

INTRODUCTION TO STOCK MARKET

Everyone today appreciates the need to save for the future. Whether for a house, for their or their children's education, to buy a car, for your wedding or for use after retirement-we all have future needs which we need to start accumulating funds for well in advance. All these goals can be realized through excellent financial planning. The fact is that the financial decisions we make today will significantly affect the lifestyles we lead in the future, but how many of us have taken the time to carefully map out a plan to help us achieve these financial goals?

An intelligent financial plan entails investing your money in an appropriate combination of assets with the potential to help you better achieve your goals. If you invest wisely, you can maximize the earnings on your investments. You need to act today and think about a plan to help you achieve your financial goals which becomes a road map for your investment journey. Every journey begins with a single step. The first step that you need to make is to start setting aside funds today for your future goals.

There are many investment avenues available, stock market investment being one of them. But the stock market can be a great source of confusion for many people. Usually an average person either believes that investing in the stock market is like gambling and they will end up losing a lot of money, or they know that it is suitable for long term investing but have no idea where to start. Before wanting to invest in the stock market, it is very important to understand what shares are and how stock market works.

What are Shares?

A share is simply part ownership of a business. A company can raise money to finance its business by 'going public.' Going public means being listed on a stock exchange and issuing shares to investors. By paying for the shares, each investor buys part ownership of the company's business and becomes a shareholder in the company. The money that a company raises in this way is called equity capital. Unlike debt capital which is borrowed money, equity capital does not need to be repaid as it repre-

FIJI'S STOCK MARKET STRUCTURE



sents continuous ownership of the company. In return for investing in the company, shareholders can receive dividends and other benefits. Shares that have been issued to investors by a listed company can be sold to other investors on the share market. In this way, shareholders can realise capital gains if the share price has risen – in other words, make a profit by selling their shares for more than the amount they paid for them.

What is a Stock Market?

A stock market, like any other market is a place to buy and

sell something, in this case – stocks. Only shares or other securities of companies that are listed on the stock exchange can be traded in the stock market. Securities may include convertible notes, bonds and other instruments.

Once the company has issued or sold securities to the public, the stock exchange provides a centralized system through which buyers and sellers can trade in these securities.

The stock market in Fiji exists as part of the larger financial market. The Reserve Bank of Fiji (RBF), which is the industry

regulator not only carries out its regulatory task of ensuring fair and transparent capital markets supported by investor confidence but also plays a developmental role to create a more vibrant capital markets industry in Fiji. They supervise and regulate the Stock Exchange, Stockbrokers, Investment Advisers and Managed Funds in Fiji.

You can only buy or sell securities in a listed company through a licensed broker. The three current stockbroking firms in Fiji are; Kontiki Stockbroking Limited (KSB), FijiStock Brokers Limited (FSB) and the FHL Stockbrokers Limited (FHS). These stockbroking firms have individuals acting as stockbroker representatives to provide brokerage services to their clients.

A share registry also forms part of the stock market structure. It ensures that the list of security holders in a listed company is updated on an ongoing basis. If you buy securities on the stock exchange, registry will be responsible for cancelling the name and certificate of the person who sold their securities and update the list with your name and other details to reflect you as the new security holder, issuing a new certificate to you in the process.

Role of SPSE

The South Pacific Stock Exchange (SPSE) is the only licensed securities exchange in Fiji. The Exchange ensures that trading in all the SPSE listed securities takes place in an effective, fair and a transparent manner. Further to this, other major roles the SPSE plays are:

- Providing a centralized mar-

ket place for trading securities. The Exchange provides a platform through its electronic trading facility where listed company securities can be bought and sold.

- Regulating the listed companies through our Listing Rules. Listing Rules ensures applicants are suitable for listing and that issue and marketing of securities are conducted in a fair, open and orderly manner. It also ensures that investors and the public are kept informed by listed companies and that all security holders of listed companies are treated fairly and equally.
- Regulating the stockbrokers through our Business Rules. While stockbrokers are licensed by RBF, the Business Rules further outlines the code of conduct and the responsibilities of brokers when dealing with investors' money.
- Performing market surveillance to ensure that trading is fair to all investors.
- Ensuring timely disclosure of material market announcements in-order to keep the media, investors, analysts and other interested parties abreast with the current status and any developments pertaining to the listed companies.
- Disseminating information to the public in a timely manner. This is done through the SPSE website.

Development of SPSE

From inception in 1978 until June 1996, the Exchange operated purely as a "trading post" where trading of securities by both buyers and sellers were