

Glossary of exchange terms

When it comes to listing for the first time, there's a lot to consider. This glossary explains commonly encountered terms.

<p>Alternative Trading System (ATS) An electronic system for trading listed and unlisted investments</p>	<p>GAAP Generally accepted accounting principles</p>
<p>Bear market A market in which share prices are in widespread decline</p>	<p>IFRS International Financial Reporting Standards</p>
<p>Bid price The price at which a dealer is willing to buy</p>	<p>Index A statistical representation of the value of shares in a market or market segment</p>
<p>Bull market A market in which share prices are in widespread increase</p>	<p>Initial public offering (IPO) The first issue of a company's shares to the public</p>
<p>Clearing The verification of information between two brokers in a share transaction prior to settlement</p>	<p>Institutional investor Investment companies and pension funds, usually with large amounts to invest</p>
<p>Derivative A financial product whose value is determined by reference to the price of an underlying security</p>	<p>Liquidity A measure of the ease with which a particular share may be bought or sold</p>
<p>Dividend yield A company's annual dividend payments divided by the share price</p>	<p>Market capitalisation Market price of an entire company or market found by multiplying the number of issued shares by the share price</p>
<p>Due diligence The process whereby the directors and advisers of a company satisfy themselves that a transaction has been entered into after due and careful enquiry and that all legal and regulatory requirements have been complied with</p>	<p>New market A stock market that includes provisions for the admission of fledgling or growth companies</p>
<p>Earnings per share A company's net earnings divided by the average number of shares in issue</p>	<p>Offer price (also Ask price) The price at which a dealer is willing to sell</p>
<p>Electronic communications network (ECN) A type of ATS, in which buy and sell orders are matched to represent the highest bid and lowest offer price on the open market</p>	<p>Over the counter (OTC) market An informal market for securities that have only limited regulation and listing requirements</p>
<p>Floating/flotation Performing an IPO</p>	<p>Price earnings ratio (P/E) A company's share price divided by its earnings per share</p>
<p>Free float (also Public float) The proportion of a company's issued shares that are in public hands</p>	<p>Prospectus A document providing financial and non-financial information on an issue accompanying a transaction</p>

The glossary of exchange terms complements the 2008 Grant Thornton global growth markets guide. The report analyses the performance of the eight largest and most important stock markets in the world competing to list growth company stocks throughout 2007.

Download the full Global growth markets guide at www.gti.org

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Retail investor An individual who purchases a relatively small amount of shares
Rights issue The issue of additional shares offered to existing shareholders
Securities A general term which includes shares, debt instruments, warrants, options and other derivatives
Settlement The delivery of certificates and exchange of funds for payment of a share transaction
Spread The difference between the bid and offer price

Stockbroker An institution which distributes an issue of shares to investors
Stock exchange An organisation that provides and manages a stock market
Stock market The organised trading of shares under a formal set of rules
Underwriter Either a stockbroker or an institution that contracts to buy any shares from an issue which fail to sell to investors
Verification The process whereby those responsible for a prospectus ensure that every statement in it is supported by evidence