

The Stock Market Umbrella

Most people, even if they have never invested in shares, have heard of the stock market. Most will know this is the place where shares are bought and sold. But what they might not realise is that the stock market is actually an umbrella term for a number of different markets run by the London Stock Exchange (LSE) where shares in different types of companies can be traded. These firms might be big blue chip household names, foreign businesses or small unquoted companies.

There are more than 2,700 companies, worth over £1.4bn, quoted on the London Stock Exchange's markets! If you are planning to buy shares it is worth knowing which type of company is quoted on each of the markets run by the London Stock Exchange as it will help you make the best decisions about your investments. It could even introduce you to a world of investing you never knew existed. There are also other markets you may wish to consider.

London Stock Exchange markets:

The Main Market

Alternative Investment Market (AIM)

Overseas markets

OFEX

The Main Market

Undoubtedly the market most people would identify as 'the UK stock market' is the London Stock Exchange's Main Market. This is the world's most active international equity market with companies from all areas of the business world, including retailing, technology, finance and manufacturing. More than 2,000 companies, including more than 500 overseas companies, have securities which are quoted on this market.

Some international companies prefer to list Depository Receipts, which represent ownership of the underlying securities and can be listed and traded independently. These shares are usually denominated in US Dollars (ADRs) or Euros (EDRs)

Under the Main Market's umbrella there are special groupings for certain sectors. One of the most well-known is techMARKTM, the international market for cutting edge technology companies that was launched in 1999. There is also techMARK mediscienceTM, a market for healthcare companies.

Professional and private investors alike track the performance of securities admitted to trading on the Main Market using a variety of indices.

The index that covers all securities listed on the Main Market is the FTSETM All Share but there are other indices covering various sectors, e.g. the [FTSE 100](#), which tracks the performance of the biggest 100 companies listed on the market. These firms, often known as blue chips, are often household names, including Marks & Spencer, HSBC, BP and Glaxo Smithkline. Read more about Indices.

A two-stage admission process applies to companies who want to have their securities admitted to the London Stock Exchange's Main Market. The securities need to be admitted to the Official List by the UK Listing Authority (UKLA), a division of the Financial Services Authority, and also admitted to trading by the London Stock Exchange.

Alternative Investment Market (AIM)

More commonly known as AIM, the Alternative Investment Market was launched in 1995 and is more lightly regulated than the Main Market.

More than 1,500 companies are traded on AIM and represent a variety of industries, including information technology, leisure and hotels, healthcare and biotechnology stocks.

While there are no specific suitability requirements for companies seeking to admit securities on the AIM market, there are some controls. The company must produce an admission document that gives potential investors information on, for example, directors, business activities and the company's financial position.

The company must also get the support of a nominated adviser approved by the Stock Exchange. This adviser is responsible, amongst other duties,

for ensuring the company is suitable for an AIM quotation.

Introducing a market such as AIM has enabled these companies to raise money from investors who, in turn, have the ability to invest in a wider range of companies.

But investors must also recognise that the lighter regulation afforded these companies does make AIM a potentially riskier place to invest than the Main Market.

Overseas markets

As well as investing in UK registered securities you may also wish to consider investing in foreign securities. Buying foreign securities diversifies your portfolio, which is an important way of reducing risk while maximising returns. For more on diversification, read [Allocating your Assets](#).

Buying shares in foreign companies has not, historically, been practical for the vast majority of investors because of cost, lack of information and the extra risk of currency fluctuations.

But in recent years overseas trading has become easier, particularly as so much information is available on the Internet. Since the introduction of CREST Depository Interests (CDIs), which you can buy on the London Stock Exchange's International Retail Service, it has also become cheaper.

There are a tremendous number of international markets but it is harder to buy shares on any but the larger exchanges. Among the most popular are DAXTM 40 index, the French CAC TM -30, the American S&P TM 500 and Japanese Nikkei TM 225. For more on buying foreign shares, [click here](#).
(link to Buying shares article)

OFEX

The 'Off Exchange' or OFEX market established in 1995 is another market for more adventurous investors to buy shares. It is not a regulated market and securities traded on it are unlisted and unquoted, although most members, as UK companies, are subject to the same company legislation as the biggest blue chip firms.

OFEX has existed for 35 years but has only been known under its present name since 1995. It is seen by some firms as a springboard to listing on AIM and the Main Market but others decide to remain with OFEX. stay with the Exchange permanently.

While the requirements required for trading shares on OFEX are not as stringent as for AIM and the Main Market companies must follow official rules. Shares can be suspended if they breach any of these regulations.

About the Author

Whether you are interested in [shares trading](#) for an [investment](#) or simply want to check out stock market news, visit the London Stock Exchange website to find out this and more.

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