# BONDS & STOCK EXCHANGES

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Government institutions or big companies, including central or commercial banks and investment houses, normally issue bonds with the aim of collecting money from third parties as kind of debt for certain specified time. This debt, normally takes the form of a bond, to be repaid in due course with the accrued interest. Almost in all cases the issuers of bonds look positively for good response and they are certainly interested in many investors to come-in. The investors could be private individuals, private or institutional investors, banks or others.

Generally speaking, bonds that are intended to reach a large number of potential investors should be listed in certain stock exchange(s). The listing of bonds therein makes them known to the public-at-large who are supposed to start the investment process, according to the regulations in the concerned stock market. As per the concerned laws in many Arab countries such as Bahrain, Abu Dhabi, Dubai, Qatar and others… The Securities Market Commission in these countries is authorized to list bonds according to the regulations and procedures issued by the Regulatory Board of the market.

At the international level if we take Eurobond issues, for example, the most common famous stock exchanges for their listing are London "Stock Exchange", Luxembourg Stock Exchange & other active Stock Exchanges include Singapore, Frankfurt, Zurich…. etc. The choice of each one of these Stock Exchanges, of course, depends on the type of investors targeted by the issuers and the required or the best available market for that issue depending on the rules and regularities governing that particular market.

It is important to mention that New York Stock Exchange is not available nor appropriate, in most cases, for Eurobond issues because the requirements issued by the Securities Exchange Commission (SEC) make the listing of the Eurobonds impracticable. This shows that each Stock Exchange is having its own “flavor \ appetite” and, moreover, regulations and procedures for listing any bonds therein.

A question arises here, why bonds are to be listed in stock exchanges? To begin with we could say that there are many advantages for listing bonds. The primary main objective of listing bonds is the appropriate access to some potential investors. Listing of bonds could help to enlarge the number of investors to whom the concerned bonds can be sold. Moreover, many institutional investors as banks, insurance companies, pension funds, public corporations are required by their by-laws (memorandum of association or others) not to invest in unlisted securities. The aim of this prohibition is to protect these institutions from investing in unknown securities associated with many risks... From this point it appears that listing of bonds improves their marketability and also creditability to a great extent, thereby it brings the existence of the bonds to the attention of potential investors in a save way….

Another advantage to the benefit of investors comes from the fact that the stock exchange quotes, after or at the time of listing, the current price of the bonds based on the prices at which the securities have changed hands so that potential investors benefit from a reasonably objective assessment of the current price.

We cannot rule out completely the existence of certain disadvantages to the listing of bonds. In fact, there are some disadvantages with reference to the issuer of the bond. This disadvantage could include the fact that the issuer must comply with the stock exchange disclosure requirement or other similar requirements. The issuer, also, must enter into a listing undertaking or its equivalent with the stock exchange whereby the issuer, among other things, commits himself to produce continuing information and to notify certain events which my lead to false market in the securities e.g. adverse events which are not public knowledge or public information and which may significantly affect the issuer’s ability to meet his obligations.

A stock exchange’s listing requirements may change during the currency of the bonds (the securities) and accordingly impose more onerous disclosure obligations. The issuer may be limited by the terms of the subscription agreement from de-listing or listing elsewhere. Listing, in certain cases, may impede a rapid issue to take advantage of a “window" in the market. This is because the stock exchange authorities, in most cases, may require certain listing particulars to be submitted, to the concerned dept. or staff, in advance so as to be checked by them before listing and trading. Regulatory matter that needs to be met by compliance.

As mentioned above Governments or big companies particularly banks, investment companies or insurance companies, normally issue bonds. However, according to the commercial company’s law and the securities market law in the countries listed above all big companies are eligible to issue bonds whenever they deem appropriate or necessary according to their financial and investment policies.

Each bond shall include certain details and terms that are commonly found in international bonds. To begin with, the face of each bond shall clearly explain that the issuer of the bond, for value received, promises to pay to the bearer the amount of the bond. Also, the issuer undertakes to pay the interest at the prescribed rate in accordance with the detailed terms and conditions on the back of the bond. All potential investors should read these terms and conditions of each bond very carefully before starting any business related to the bond. All above matters, are regulatory obligations and must be followed strictly by all concerned parties. Issuance of bonds, in the region, is getting momentum and it is a save way of getting big amounts of money within short period. You could benefit from this process, as it is beneficial to the issuers and potential investors at the same time.