



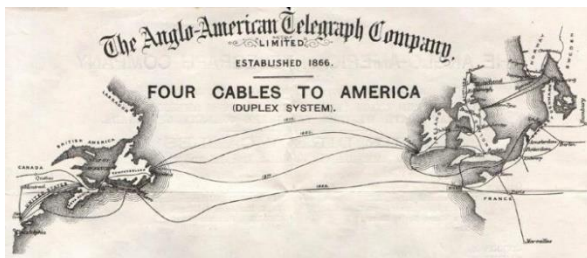
Exchanges make for organised markets

If you don't ever change, you won't ever bring about change

Securities such as shares no longer change hands as they did in the past – that is, in paper form, i.e. physically – but digitally: a security is credited to one securities account and debited from another. At the same time, the purchase price is charged to one account and credited to the other. Everything takes place electronically; the transactions are completed by computer. Buyers and sellers no longer have direct contact, but trade through banks and brokers acting as “intermediaries”. This makes trading quicker, cheaper and more secure.



Trading hall at the Frankfurt Stock Exchange



Historical share document

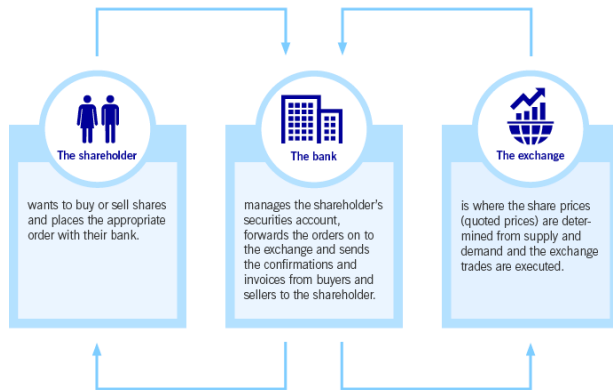
What are shares, who determines their price and why do their quoted prices rise and fall?

Simply put, shares are tradeable interests in companies and, if they are traded on exchanges, they may also be included in indices. DAX®, Germany's benchmark index, represents the 30 largest German shares. The MDAX® comprises the 50 next-largest equities and the TecDAX® the 30 largest technology companies.

Companies that issue shares do so in order to raise long-term capital. Investors buying a share become co-owners (shareholders, investors) in the company and can sell their shares to other investors.

A share's quoted price basically indicates a company's long-term valuation and is based mainly on the profit generated by the company and expectations for its future. If a company has generated a healthy profit, but its future profit outlook is bleak, the general valuation also falls, causing the quoted price of the share to fall.

Exchanges are neutral trading venues



While profit expectations are key to a share's price performance over the long term, the current stock market environment is also a factor determining the quoted price. If market sentiment is good and shares are in brisk demand, the wider market rises – the outcome being that investors can buy and sell the shares at higher prices. In short, just as they do in any marketplace, supply and demand also determine prices on the stock market: the greater the supply and demand, the more liquid a market is.

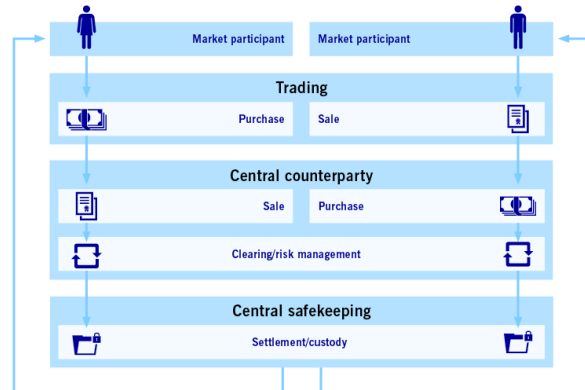
Index

A statistical tool illustrating changes in prices and volumes. Indices are statistical measures of how a particular group of securities has performed. There are indices for all types of securities and commodities as well as for many sectors, investment strategies and regions worldwide.

What happens after trading?

Once a buyer and a seller have found one another, a complex process begins to ensure that the buyer receives their securities and the seller their money. This involves the clearing, settlement and custody of the securities.

Trading, clearing and custody



Clearing

In securities trading, securities purchases and sales are usually cleared through a clearing house. This institution enters into the trades as buyer to the seller and as seller to the buyer (hence the alternative term “central counterparty”). Thus, the counterparty risk on the receivables is always minimised, and market integrity and stability increase.

Settlement and custody

Trading and clearing are followed by the next steps in the securities transaction process chain: settlement is the process of fulfilling the payment and securities settlement obligations of the parties to the trade. Ownership is transferred. The securities are then held in custody and administered by a special institution called central securities depository. This takes over the securities' registration, custody and administration, provides reports, processes corporate actions and dividend credits, and reports to the tax authorities.

Deutsche Börse Group – we make markets work

Headquartered in Frankfurt/Main, Deutsche Börse Group is one of the largest exchange organisations worldwide. It operates markets that provide integrity, transparency and security for investors wishing to invest capital and for issuers wishing to raise capital. On these markets, institutional traders buy and sell shares, derivatives and other financial instruments in accordance with clear rules and under strict supervision.

Deutsche Börse Group is now more than just a trading venue or exchange – it is a provider of financial market infrastructure. Its products and services span the entire finance value chain – its business areas range from pre-IPO services and the admission of securities, through trading, clearing, settlement and custody of securities and other financial instruments to collateral management. It also offers IT services, indices and market data worldwide.

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Contact

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