On-Line Trading
CHAPTER IV
ON-LINE TRADING

Introduction

The stock market has been a part of people's lives throughout the twentieth century. Millions of people around the world have invested money in their countries own respective markets. Since the coming of age of online trading, more people have been investing their money in stocks than ever before because of the advantages it offers. Online trading allows people to trade stocks quickly without the help of a broker, letting the investor have more control over their transactions. The competition between companies has helped decrease the cost of making the transactions. In addition to that, ordinary people now have access to information that could only be seen by brokers. Overall, online trading saves time, money and gives power to the investor rather than the broker.

Although trading online sounds great, there are still many disadvantages. The most important one being that many people that have little experience with the stock market have started to invest in it, causing them to lose money. The privacy issue is another problem of main concern, especially with the amount of hackers that exist. In addition, the internet has constant failures that can never be predicted. Another complaint that is made is the fact that some of these online trading companies take too long to make transactions while they advertise them to be fast. Furthermore, these investment firms are hard to contact in case there is an emergency.

Despite these problems many companies have emerged in the online trading world. Each of them offers their own special way of attracting potential investors to deal with them. Charles Schwab and E*Trade are the main companies leading the way in
online trading. Although there are about 150 companies that offer electronic trading these are the main ones that will be discussed in further detail.

**History of Online Trading**

In recent years the internet has become an increasing part of peoples lives. There are few places in the world that it has no reached. Since the internet has the power to reach this many people, many companies have started to conduct business on it. People can shop online and purchase almost anything they want right from their homes. With the advent of this new technology, the stock market was bound to become part of this new world. Since this information can be gathered so quickly, it was not a shock when online trading took off at such a rapid pace.

The first major company to start trading online was Charles Schwab in May of 1996. At first, they were hesitant because of the security risks involved and because at that time the internet was not as fast as it now. They had planned to launch online trading a year before, but did not because they wanted to be confident that the transactions were safe. Some other companies that started before Charles Schwab were the Lombard Institutional Brokerage, the Pawns Financial Network and E* Trade Securities. Of those four companies E*Trade and Charles Schwab had the most success Charles Schwabb is now the largest company in online trading. They realized that by using the internet, they could reach customers that never would have dreamed of investing in the stock market.

Another successful company to offer online trading was Fidelity. Fidelity was the first investment firm to allow their customers to “move money from one investment option to the other” in their 401 (k) and 403(b) retirement plans. (Houston Chronicle I).customers had total control over the investments that were being made into their retirement plans. Many companies would eventually allow their customers to do the
same. Fidelity eventually allowed investors to buy and sell their own stocks on the market just as Charles Schwab and E*Trade had done before. Now the United States has just over 150 companies that allow investors to trade online and the number is continually increasing.

**Online Trading – Global Scenario**

Online trading has become very popular in the last couple of years because of the convenience of case and use. Numerous companies have gone online to meet their customers demands, enabling them to trade when they want and how they want to. Trading has existed for as long as we can remember and when we talk about it. We are referring to trade as in financial dealings. Trading is the buying and selling of goods and services. but in the current context, it is the buying and selling of financial services, including securities, through the world Wide Web.

According to Dixcart Online (one of the online brokerage firms) “Internet will rapidly become the normal way to purchase many goods and services in the future”

Online trading has basically replaced a phone call with the Internet. Instead of interacting with brokers over the phone, the customer is clicking the mouse, not to mention that other options are still available, but at a cost. Online trading has given customers real-time access to account information, stock quotes. Elaborate market research and interactive trading. Further online trading has let to additional features such as:

- **Limit/stop orders**- orders that can go unfilled, but there is an extra charge for this layaway facility since one needs to hold a price.
- **Market orders**-orders can be filed at unexpected prices, but this type is much more risky, since you have to buy stock at the given price.
• **Cash account** - where funds have to be available prior to placing the order and margin account.

• **Margin account** – where orders can be placed against stocks, to increase purchasing power.

   With all this in mind we need to see the advantage and disadvantages associated with online trading.

**Online Trading in India**

India ranks amongst the top 10 countries in terms of the market capitalization of its stock market. India is gradually opening its stock market to foreign investors. A beginning was made on 27 January 2000, when the Chairman of the Securities and Exchange Board of India (SEBI) authorized stock exchanges to provide Internet-based trading services to investors and also announced that foreign companies and individuals could now trade on Indian stock exchanges.

SEBI is also planning to permit online filing by listed companies and facilitate the retrieval of this data by investors from Websites created by stock exchanges. It has also decided that the IPOs (Initial Public Offers) for which draft prospectus had been filed with SEBI as on February 2000. And comments not yet received, and all future IPOs will be traded compulsory in demat form for all investors. The investors, however, will continue to have the option of holding securities upon allotment either in physical form or in dematerialized form according to the provisions of the Depositories Act.

SEBI also introduced on 10 January 2000, the rolling settlement cycle, which permits settlement on T + 5, that is 5 business days from the date of the transaction. By May 2000, over 161 companies were on this system.
SEBI has introduced these measures to make Indian stock exchanges transparent and investor friendly.

The Indian stock market has the potential of becoming one of the most active in the world primarily on account of its retail investor base, listed and traded companies, if an efficient and inexpensive infrastructure is made available. At this juncture, we should look at India’s potential because this aspect of trading in its nascent stage, an estimate of which can be made by the projecting population of its citizens. We have therefore looked at the various projections of Indian citizens.

**Exhibit - 1**

Internet users in India by age

- 15-34 Years: 42%
- Below 15 Years: 31%
- 35 Years & above: 27%

Source: Introduction to online stock market trading (Dr. Kamalesh N. Agarwala)

According to MBL Research and Consultancy Group, India’s citizens population is projected at 2.5 million users by middle of 2000 and 4.5 million by year-end. 85% of these users are concentrated in eight cities. The gender breakdown is 72 percent of the users are male, 28 percent female.

According to an analysis by ‘eMarker’ the growth rate predicated in their study is higher than any earlier studies. For example, both India’s department of
Telecommunications and the National Association of Software and Services Companies (NASSCOM) forecast 1.5 million users for 2000. NASCOM estimated 1,30,000 in 1998.

### Number of On-line traders in India, 1998, 1999

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of on-line traders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1,50,000</td>
</tr>
<tr>
<td>1999</td>
<td>2,70,000</td>
</tr>
</tbody>
</table>

Source: Introduction to online stock market trading (Dr. Kamalesh N. Agarwala)

Credit Lyonnais securities Asia is very Bullish on the Internet scenario in India. In February 2000, a study conducted by them found that:

- India will have more internet users by 2004 than any other Asian country, except China, if prices of computers drop and internet access via cable television becomes possible.
- Internet use in the country will expand at the fastest place in Asia, boosting the number of people online 11-fold to 30 million by 2004, second only by China.
- India has about 3.5 million to 4 million computers and 22 million fixed telephone lines as compared with 41 million television sets and 25 million cable connections.
- A host of companies have set up websites in the past two years. Only 1 percent of the nearly 800 million websites cater to an Indian audience.

Credit Lyonnais estimates are nearly double those of market research firm International Data Corp. IDC predicts that India may have 17 million Internet users by 2004. According to the Credit Lyonnais report, IDC forecasts 34 million users in China by 2004.

India enters the cyber-trading era to equal the current market trends taking into consideration the need to facilitate inflow of funds in the capital market. The trading system will enable all categories of investors, resident and non-resident Indian, to trade...
online. Maybe right now the rules are not yet clearly defined but the opportunities, if offers are extremely promising.

**National Stock Exchange – NSE Online Trading System**

NSE’s (National Stock Exchange) trading system is known as NEAT (National Exchange for Automated Trading). It is a fully automated screen-based trading system, which enables brokers and trading members around India to trade simultaneously. NEAT has replaced the ‘ring’ and brokers no longer congregate on the floor of the exchange trade. An investor is thus able to buy or sell securities through the brokers connected to NEAT network.

The trading software selected by NSE is in use by several exchanges around the world. The telecommunications network is the backbone of its trading system designed to provide continuous availability to the brokers. It is one of the largest interactive VSAT (Very Small Aperture Terminals) based stock exchanges in the world.

Broker-to-broker is through online terminals. The terminals of the brokers on the wholesale debt market are linked to the central computer. The brokers on the capital market trade through a satellite network that is owned, operated and managed by NSE using VSAT (Very Small Aperture Terminals) technology.

**BSE Online Trading System ‘Bolt’**

Bombay stock exchange (BSE) switched over from the open outcry trading system to a fully automated computerized mode of trading known as BSE online Trading (BOLT) system in 1995. This system which is both order and quote driven was commissioned on 14 March 1995 and in May 1995 it was introduced for all the securities listed on BSE. It started with screen based trading and in September 1997, switched over
to direct online access facility. In the initial stage, BOLT was available to brokers of BSE based in Mumbai through leased lines.

**Objectives of Bolt**

- Automatic order matching and faster execution of traders
- Eliminate the subjectivity of the existing trading system
- Facilitate more efficient procession
- Handle growing volumes easily
- Increase market transparency
- Provide Management Information System (MIS)
- Reduce settlement risks due to open trades.
- Support nationwide expansion of market activity

**Salient Features**

- The system allows complete transparent mode for each order execution.
- Trading hours been increased. under the open-outcry system trading was linked to two hours.
- Processing speed coupled with extended trading hours has ensured that most orders get executed on daily basis.
- Orders are matched in less than one-tenth of second.

**Nation wide Expansion of ‘bolt’**

In the initial stages, BOLT was available to the brokers of the stock exchange based in Mumbai. Experience of “BOLT” nationwide required.

- Permission of Securities and Exchange Board of India (SEBI)
- A nationwide network which is secured and operational at all times.
BSE secured SEBI’s permission in 1997, and as a result, BSE brokers were free to install their trading terminals in cities where no stock exchanges. However, at centers where the other exchanges are located, BSE requires to sign a memorandum of understanding with them to be able to install the BOLT terminals.

In the first place, BSE signed a memorandum of understanding with 11 stock exchanges viz, Calcutta, Pune Ahmedabad, Sourashtra, Madhya Pradesh, Vadodara, Bhubaneshwar and Magadh (Patnah) Jaipur, Coimbatore and Chennai (madras) to provide BOLT connected to the brokers of these exchanges. This has since been extended to over 200 cities.

BSE added a nationwide network to its existing network. It opted for the VSAT network technology for a number of reasons, including the availability of satellite link through the indigenous INSAT satellite network.

**Network of BOLT and TWS (Trader Work Station)**

The BOLT network currently covers 227 centers, having 672 VSATs and 949 TWSs. Of these, 595 VSATs and 807 TWSs are installed outside Mumbai. By the end of 2000, BSE expects to have around 10,000 TWSs on its network.

**Network security:** The BOLT network utilizes a combination of leased lines and proprietary VSAT, which ensures that information communicated between the brokers are provided TWSs that the connected to the trading and settlements system of BSE through VSAT.

**BOLT expansion plans:** By the end of 2000, BSE plans to increase the present 2000 TWSs to 10,000 TWS. This will connect most of the location in India with the BSE, which will enable an investor in any part of India to access the BOLT system during the trading time. The capacity of BOLT hardware to process transactions has been enhanced
from 1,50,000 trades per day to 5,00,000 trades per day (in 6 hours i.e. 9.30 a.m to 3.30 p.m) and the capacity is being further increased to 1,000,000 trades per day.

Trading

The scrip’s traded on the BSE have been classified into “A”, “B1”, “B2”, “C”, “F” and Z group. The scrip’s listed on the BSE under “A”, “B1” and B2 groups represent the equity segments. The ‘C’ group covers the odd lot securities in ‘A’,”B1” and B2 groups and rights renunciations. The ‘F’ group represents the debt market (fixed income securities) segment. The ‘Z’ group comprises shares of delisted companies.

The BSE is currently the only stock exchange in the country that provides on-line trading in odd lot securities and rights renunciations. Trading in this segment covers all the scrip’s listed in the equity segment. This facility of trading in odd lots of securities and rights renunciations offers investors an exit route to dispose of their odd lots and consolidate their securities into marketable lots.

The trading cycle for all these groups of securities is weekly. The trading cycle for ‘A’, ‘B1’, ‘B2’ and C group securities representing the physical segment is from Monday to Friday and that for ‘F’ group securities is from Thursday to Wednesday.

The transaction in ‘A’ group scrip’s are allowed to be carried forward from one settlement to another settlement, subject to a maximum of 75 days from the date of original transaction. The trading session for carry forward of transactions from one settlement to another is conducted on Saturdays, i.e. at the end of every trading cycle in the physical segment.

Trading on the BOLT system is conducted from Monday to Friday between 10.00 a.m. and 3.30 p.m. while the carry forward session for ‘A’ group securities is conducted on Saturdays between 10.00 a.m. and 12.30 p.m.
BSE’s information systems department generated the following statements, which can be downloaded by the brokers as daily basis.

- Transactions
- Details of margins payable in respect of the trades.

**Settlement and Clearing**

Settlement and pay-out for A, B1, B2 and C Group of Securities.

Payment of money and delivery of securities settle the trades done by the brokers during the weekly trading from Monday to Friday in the following week.

All deliveries of securities are required to be routed through the clearing house, expect for certain off-market transaction, which although are required to be reported to the exchange, may be directly between the brokers concerned.

BSE’s information systems department nets off all deliverable trades (purchases and sales in each scrip) done by a broker during a settlement and generations the following statements.

- Delivery orders
- Money statements

**Delivery / receive orders**

The delivery orders provide information like script, quantity and the name of the receiving broker to whom the securities are to be delivered through the clearing house.

**Money statements**

The money statements provides details of payments/receipts for the settlement
With effects from 22 December 1997, the bank accounts of brokers maintained with Bank of India, BSE branch, the only clearing bank at the time, were directly debited through computerized posting on the pay-in-day for their settlement dues. The list of clearing banks has since been expanded to include HDFC bank Ltd., Global Trust Bank Ltd., and Standard Chartered Bank.

The securities, as per delivery orders issued by the BSE, are to be delivered in the clearing house on the day designated for pay-in, i.e on Wednesday and Thursday as per prescribed time slots up to 1.00 p.m. No late delivery of shares is permitted. Brokers have to deliver the securities in special closed pouches issued by the BSE along with the relevant details (distinctive numbers, scrip code, quantity, receiving brokers) on a floppy. The data submitted by the brokers on floppies is matched against the master file data on the clearing house computer systems. If there are no discrepancies, then a scroll number is generated and a scroll slip is issued. The brokers then submit the securities at the receiving counter. The clearing house personnel arrange and tally the securities received against the receiving broker-wise report generated on the pay-in positions are debited on Thursday. The procedure is called pay-in. The receiving brokers collect securities on Friday and the accounts of the brokers having pay-out.

July 2000

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mon</td>
<td>Tue</td>
<td>Wed</td>
<td>Thu</td>
<td>Fri</td>
<td>Sat</td>
<td>Sun</td>
<td>Mon</td>
<td>Tue</td>
<td>Wed</td>
<td>Thu</td>
<td>Fri</td>
<td>Sat</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Day ➔ 1 2 3 4 5 6 7 8 9 10 11 12 13

Trading cycle

Shares Pay-In

Cash Pay-In

Shares / cash Pay-Out

Source: Introduction to online stock market trading (Dr. Kamalesh N. Agarwala)
The following table summarises the steps in the trading and settlement cycle for ‘A +B1’, ‘B2’ and ‘C’ group securities:

<table>
<thead>
<tr>
<th>Day</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday to Friday (Monday is the 1st day and Friday is the last day of trading)</td>
<td>Trading on BOLT and daily downloading of statement showing details of transactions and margin statement, at the end of each trading day.</td>
</tr>
<tr>
<td>Saturday</td>
<td>Carry forward session (for ‘A’ group Securities) and downloading of money statement.</td>
</tr>
<tr>
<td>Monday</td>
<td>Marking the mode of delivery – physical or demat</td>
</tr>
<tr>
<td>Wednesday</td>
<td>Pay-in of physical securities.</td>
</tr>
<tr>
<td>Thursday</td>
<td>Delivery of securities in the clearing house as per prescribed time slots up to 1.00 p.m. only. Debiting of brokers’ bank accounts having payable position at 5.00 p.m.</td>
</tr>
<tr>
<td></td>
<td>Reconciliation of securities delivered and amounts claimed.</td>
</tr>
<tr>
<td>Friday</td>
<td>Pay-out (physical securities only)</td>
</tr>
<tr>
<td>Saturday</td>
<td>Funds pay out</td>
</tr>
</tbody>
</table>

Source : Introduction to online stock market trading (Dr. Kamalesh N. Agarwala)

If a transaction is entered on the first day of the settlement, i.e. Monday, the same will be settled on the eighth working day, excluding the day of transaction. However, if the same is done on the last day, of the settlement, i.e. Friday, it will be settled on the fourth working day excluding the day of transaction.

The trading and settlement cycle for ‘F’ group, i.e. debt market is indicated below.

<table>
<thead>
<tr>
<th>Day</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thursday</td>
<td>First day of trading</td>
</tr>
<tr>
<td>Wednesday</td>
<td>First day of trading</td>
</tr>
<tr>
<td>Thursday</td>
<td>Last day of trading</td>
</tr>
<tr>
<td>Friday</td>
<td>Issue of delivery orders, money statements. Debiting of the brokers’ bank accounts at 10.30 a.m. pay-out of securities from 4.30 p.m. to 5.30 p.m. and crediting the bank accounts of brokers’ with pay-out.</td>
</tr>
</tbody>
</table>

Source : Introduction to online stock market trading (Dr. Kamalesh N. Agarwala)
Auction is conducted for those securities which brokers fail to deliver/short deliver during pay-in. In case the securities are not received in an auction the position are closed out as per the close out rate fixed by the exchange in accordance with the prescribed rules. The lose out rate is calculated as the highest rate of the scrip recorded in the settlement in which the trade was executed or in the subsequent settlement up to the day prior to the pay of auction or 20 percent above the closing price on the day prior to the day of auction, whichever is higher.

**ELECTRONIC DATA INTERCHANGE - EDI**

Electronic Data Interchange EDI forms the backbone of communication of online trading operations. EDI Provides a proprietary secure network for the transfer of data and information between the following entities associated with the online Trading.

- Brokers and Stock Exchange
- Brokers and Their Associates(Sub-Brokers)
- Depository/NSDL and the Depository Participants
- Depository/NSDL and the stock exchange
- Depository/NSDL and Issuer Company and/or their Register and Transfer Agents.

**What Is EDI?**

EDI is the exchange of structured business information between applications, among trading partners (business organizations who agree to exchange business documents via EDI) by agreed message standards through electronic means. It is the application-to-application transmissions of business information and documents, such as purchase orders, invoices. In EDI information in organized according to a specified format set by both parties, allowing a hands off computer transaction that requires no human intervention or re-entry of data on either end. The information contained in an EDI
transaction set is, from the most part, the same as that on a conventionally printed document.

EDI is about relationships among companies. Though EDI, companies get the opportunity to co-ordinate their internal applications so the information stream flows smoothly between them. By itself, EDI does not create any new processes or strategies, it simply expedites the existing business processes.

EDI compresses the timeline from initial order to shipment to final payment by sending actionable information without the need for reentry of information/data at any stage along the way.

EDI is completely different from sending electronic mail messages or sharing files through a network, a modem, or a bulletin board. The straight transfer of computer files requires that the business applications.. The sender must use a business application that creates a file format identical to receiver’s business application. EDI does not require the trading partners to have identical business application or document processing systems.

EDI has three major components:

- Trading partners
- Translation software
- Communications

Trading Partners:

Business organizations that agree to exchange business information, data and documents Via (EDI)
Trading Software

It is dual-purpose software. It converts files to or from an EDI format called a 'document'. A document is known as an EDI message and the definition specifies the content and sequence of data to be included. In the case of outbound business information, data or documents (we will refer to as document), an internal application file format is translated into an EDI format. For inbound documents, the EDI format is retranslated into an internal application file format. It is not necessary for trading partners to use the same translation software, nor is it necessary for them to have similar hardware platforms. Software and hardware independence is one of the major advantages of EDI.

Communications

The Transmission and reception of 'document' between trading partners using compatible and hardware and software, which best suits their requirements. The use of value-added network (VAN) is the traditional EDI communication route. A VAN is a third party service provider that receives, stores and transmits data. Trading partners prefer to use a VAN for two reasons.

• Van provides a security buffer the trading partners; and

• Eliminates the need for compatible communications hardware and software.

The main disadvantage of using a VAN is cost, however, other options are now available and many of these are increasingly in use, for example

• Electronic mail

• Point-to-point communications; allows trading partners to exchange EDI files directly, for example via FTP or TELENET connections

• Internet and private TCP/IP: allows exchange of EDI across Internet and private TCP/IP networks.
- Intranet and extranet: Many large organizations have set up their own intranets to facilitate exchange of business information, documents and data within the organization, and some have extended this arrangement to include their suppliers, channel partners, service providers via extranet.

**Investors Reasons to Trade Online**

- They feel they have control over their accounts. Can make their own decisions and don’t have to give reasons for their actions. They are independent.
- They have a reason to participate in the market and learn about it.
- They find it interesting, cheap, easy, fast and convenient.
- A lot of information is online so they can keep up-to-date with what is happening in the trading world.
- They are sure and confident
- They have access to numerous tools to invest and can create their own portfolio. For instance, take “my.schwad.com”.

**Tips to Use Online Trading**

- Don’t give up-need to put time into it. Be persistent.
- Make use of all the tools available to you.
- Keep good records about whom you are dealing with. Do your homework (research)
- Keep trading costs low.
- Have backups just in case on ISP (Internet services Provider) goes down
- Time for bad trade days, find and stick to a broker with ‘market meltdown policy’
- Where they accept online rates for both touch-tone phones and direct broker.
- Keep up and stay with details constantly.
Advantages of Online Trading

Online trading has made it possible for anyone to have easy and efficient access to more reports and charts that it was previously possible if one went to any discount brokers office. Thus, we have access to a lot more information online to self ourselves.

- Online trading has left room for smaller organizations to compete with multinational organizations since size is no longer a legit issue. Being online does not identify the size of any particular organization therefore this gives additional power to the undergoes.

- Online trading has allowed companies to locate themselves where they want, as ‘physical location’ is not an issue anymore. Companies can establish themselves according to their gains and losses, for instance where tax (sales and value added taxes) are best suited to them.

- Online trading gives control to individuals and they can exercise it over their accounts thus comprehend what is going on when they trade. It is like going back to school and re-educating oneself on how to trade online.

- Individuals benefit by saving comparatively a lot more when trading online as the cost per trade is less.

- Individuals can invest in a variety of products, unlike earlier when people bought bonds, mutual funds and stocks for long-term basis and sat on them. Now they can invest in stocks, stock and index options, mutual funds, individual, government, corporate, municipal bonds, various types of IRA account, mortgages and even insurance.

- Online trading has made it possible for one to find investment options that were not available on a regular basis, like offbeat net stocks. centric unique things and trading in global market.
Disadvantages of on line trading

- When network crashes, there will be problems and delays due to a large influx of traffic and rapid online trading criteria. For instance on 27 October 1997, there was a one-day crash, which caused online trading on the New York Stock Exchange to stop and brokers were unable to conduct business.

- Individuals are restricted to first hand financial guidance. This simply means that the individual is himself/herself alone to make the decision.

- Tax (Sales tax and Value-added tax) evaluation becomes an issue, especially when you are trading internationally.

- Chances are that one has no idea who one is dealing with on the other end. So it is advisable to gather all the possible information about the party one is dealing with. In short, do the homework and be prepared.

- On-line trading has left individuals open to too much information. This is harmful since it leaves brokerages wide open to sensitive data.

- According to a study conducted by Mary Rowland, Careful Investor. Is online trading bad for your portfolio? The more one trades the less returns one gets. meaning that an addicted trader gets carried away online and begins to trade far too much which causes losses for him or her.

- The study also shows that “smart” investment is better than “fast” investment. Simply put, speed should not be considered to be a major factor that would lead any online trader to think they know the market.

- Individuals think that are wit the market directly and know what they are doing, but the truth is that even though technology has taken over, the basic rules of trading are the same. It seems that the middlemen has been removed, but that is not so. When the individuals click on the mouse, his trade goes through a broker. The commissions online pertain to the intermediatery.
There is a need for more effective communication links over the Internet and the ability of the server to deal with a large volume of visitors. Given the pulses and minuses, we need to review the psyche of investors who go online and see what issues enable them to choose an appropriate broker along with last-minute broker tips.

**Online Traders Problems**

- What are the things that one should look for in a broker
- How to choose a Broker suitable for investors
- Who are the Best Brokers
- What are all the issues one should be concerned about and aware of when choosing an online broker?
- The Benefits of an online broker to an offline one.

**Cost**

Internet services tend to cost less than comparable off lines services with the lower costs being passed on in part to the consumer in the form of lower commissions and margin rates and competitive rates of interest on credit balances.

**Convenience**

One can enter an order at anytime night (or) day and so suit your own timetable.

**Quick Confirmation**

One person trade is usually confirmed electronically saving the time to hang around on the phone (or) call back busy broker.
Total Account Keeping & Monitoring

Everything is done electronically most on-line brokers have a facility to permit user to access their accounts and positions on the net. This again is another minor convenience.

The World is going Online

Another reason to trade online is that gradually this is how much online trading with exist. The major brokers many of whom have plans to enter the Indian market.

INVESTORS GRIEVANCE CELL

The National Stock Exchange strive to continuously upgrade our service levels make the system more investor-friendly. Hence to redress investor complaints the investors Grievance cell is formed. (IGC)

The Investor grievances cell is manned by a team of professionals who possess the experience in the areas of capital markets, company and legal affairs, specially trainee identify the problem faced by the investor. and to find and execute a solution at the early. The IGC attends to various problems faced by investors in dealing with the two internal parts of the Capital markets, trading members and companies whose securities are trade on the exchange.

The investors can report their complaints/grievances to the IGC through e-mail complaint forms. All valid complaints are assigns unique complaint no. and are enter into a database for easy follow up and necessary action. Most complaints are resoled with a period of 45 days. On exhausting all means unresolved referred to Arbitration.
Table – IV Investors grievances statistics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Received during the month</td>
<td>127</td>
<td>204</td>
<td>145</td>
<td>54</td>
<td>72</td>
<td>68</td>
</tr>
<tr>
<td>2</td>
<td>Carried forward from earlier month</td>
<td>229</td>
<td>236</td>
<td>345</td>
<td>215</td>
<td>203</td>
<td>229</td>
</tr>
<tr>
<td>3</td>
<td>Resolved</td>
<td>120</td>
<td>95</td>
<td>159</td>
<td>66</td>
<td>46</td>
<td>105</td>
</tr>
<tr>
<td>4</td>
<td>Pending at the end of the month</td>
<td>236</td>
<td>345</td>
<td>331</td>
<td>203</td>
<td>229</td>
<td>192</td>
</tr>
</tbody>
</table>

(http://www.nse-india.com/content/assist/asst.igcstats.htm)

Investors Grievances received and Redressed:

SEBI has taken steps to improve the redressal measures to solve the complaints received from the investors. The following table portrays the details about the grievances received and redressed by the SEBI through IGC from 1991 -1996.

Table – V Receipts & redressal grievances

<table>
<thead>
<tr>
<th>Year</th>
<th>Grievances Received During the Period</th>
<th>Cumulative</th>
<th>Grievances Redressed During the Period</th>
<th>Cumulative</th>
<th>Cumulative Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>18794</td>
<td>18794</td>
<td>4061</td>
<td>4061</td>
<td>21.6</td>
</tr>
<tr>
<td>1992-93</td>
<td>110317</td>
<td>110317</td>
<td>22946</td>
<td>27007</td>
<td>20.9</td>
</tr>
<tr>
<td>1993-94</td>
<td>584662</td>
<td>694979</td>
<td>339517</td>
<td>366524</td>
<td>51.4</td>
</tr>
<tr>
<td>1994-95</td>
<td>516080</td>
<td>1211059</td>
<td>351842</td>
<td>718366</td>
<td>58.4</td>
</tr>
<tr>
<td>1995-96</td>
<td>376478</td>
<td>1587537</td>
<td>315652</td>
<td>667494</td>
<td>64.4</td>
</tr>
<tr>
<td>1996-97</td>
<td>217394</td>
<td>1804931</td>
<td>431865</td>
<td>1099359</td>
<td>80.4</td>
</tr>
<tr>
<td>1997-98</td>
<td>511507</td>
<td>2316438</td>
<td>676555</td>
<td>1775914</td>
<td>91.7</td>
</tr>
<tr>
<td>1998-99</td>
<td>99132</td>
<td>2415570</td>
<td>127227</td>
<td>1903141</td>
<td>93.2</td>
</tr>
<tr>
<td>1999-00</td>
<td>98605</td>
<td>2514175</td>
<td>146553</td>
<td>2049694</td>
<td>95.4</td>
</tr>
<tr>
<td>2000-01</td>
<td>96913</td>
<td>2611088</td>
<td>85583</td>
<td>2135277</td>
<td>95.1</td>
</tr>
<tr>
<td>2001-02</td>
<td>81600</td>
<td>2692688</td>
<td>70328</td>
<td>2205605</td>
<td>94.9</td>
</tr>
<tr>
<td>2002-03</td>
<td>37434</td>
<td>2730122</td>
<td>38972</td>
<td>2244577</td>
<td>95.0</td>
</tr>
<tr>
<td>2003-04</td>
<td>36744</td>
<td>2766866</td>
<td>21531</td>
<td>2266108</td>
<td>94.5</td>
</tr>
<tr>
<td>2004-05</td>
<td>84435</td>
<td>2851301</td>
<td>53361</td>
<td>2319469</td>
<td>94.6</td>
</tr>
<tr>
<td>2005-06</td>
<td>40485</td>
<td>2891786</td>
<td>37067</td>
<td>2356536</td>
<td>94.5</td>
</tr>
</tbody>
</table>

Source: SEBI

73
During the period 1991-92 to 2005-06 the SEBI received 28,80,530 grievances from the Investor of which a total of 27,23,060 grievances were redressed by the respect entities, indicating a redressal rate of 94.5%

During 2006-07 14,014 complaints have been received of which 8,842 63.1% have been redressed.

Conclusion

In conclusion online trading is becoming a very important part of the stock market. It has helped change the way people buy and sell stocks. Instead of calling their broker, investors can simply point and click on their personal computers to make a transaction. This has opened up a new type of investor on the market. Ordinary citizens can buy and sell stocks with out a middleman. In addition to that, people are able to obtain information that only stockbrokers had access to in the past. All these features have enticed people to start trading stocks online.

It can also be concluded that people with a smaller income would more likely invest with E*Trade than with Charles Schwab. It costs less to open an account with E*Trade and the transaction fees are dramatically less. Charles Schwab is more appealing to a wealthy citizen because it offers special bonuses for people with accounts larger than$ 100,00 and because these investors can afford to put $10,000 into an account while people with a smaller income cannot.

Future Prospects

The only way online trading can move from here is giving up. The numbers projected for the future are astounding. It is said that by 2003, 9.7 million homes manage more than $3 trillion online. In addition to that, it is estimated that 22.9 million
online trading accounts will opened by the end of 2010. Another place trading could hit would be Asia especially in Hong Kong. When online trading eventual does open in Hong Kong it is projected 250 online trading companies will be fighting for business over there and Mathew McGarvey reports that by 2004 online orders will make up 40 percent of Hong Kong's volume of trade (Manual C 1.3) with all these members in mind investing in the stock market will be accessible to almost any individual that is willing to participate. The internet has made yet another dream becomes a reality.