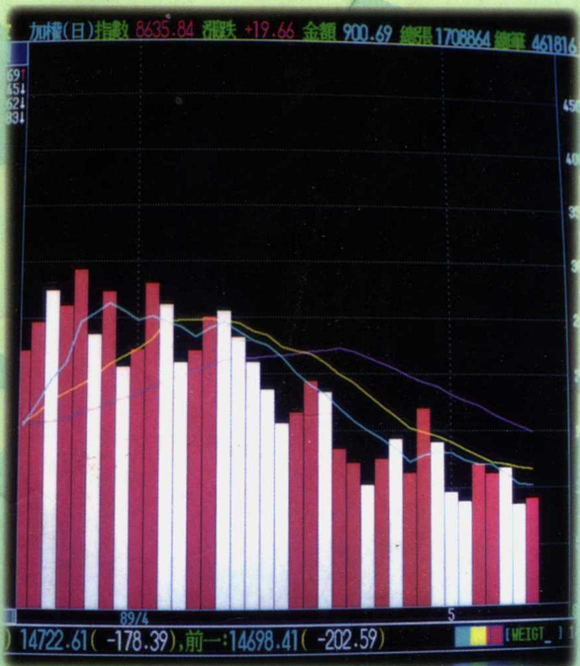
【商务专业英语系列丛书】

王关富 张海森 总主编

证券专业英语

方春祥 编著



Securities English Reader

对外经济贸易大学出版社
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Securities English Reader

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总　　序

经济全球化及加入世界贸易组织给我们带来巨大的挑战，这种挑战不仅表现在我国企业在国际经营活动中必须遵守国际商业规则与惯例，同时还要求我国商界从业人员及在校学生必须提升自己的专业知识，学习国外先进的管理技术和经营理念，熟悉国际商务活动的行为规范，掌握娴熟的商务沟通技能，以实现与国际市场的真正接轨。而所有这一切的最终实现在很大程度上取决于他们直接用外语获取相关专业知识的能力和水平以及商务英语交际的技能。为帮助在校学生、商界从业人员和有志于从事商务实践的人士实现这一目标，我们推出了“商务专业英语系列丛书”。

这套丛书的基本指导思想是：以商科各专业的知识框架为素材，用语言学习的方法将它们有机地编撰成有鲜明特色的教材，可适合各类不同的读者达到各自不同的目的。丛书包括：《工商管理专业英语》、《人力资源管理专业英语》、《国际商法专业英语》、《国际贸易专业英语》、《证券专业英语》、《银行专业英语》、《国际经济专业英语》、《国际营销专业英语》、《海关专业英语》、《国际投资专业英语》、《国际经济合作专业英语》、《旅游管理专业英语》、《饭店管理专业英语》和《公共管理专业英语》。

本套丛书有别于目前市场上种类繁多的商务英语书籍。在推出这套丛书之前，我们对商务英语图书市场进行了深入的调研与分析。这次调研发现市场上现有的商务英语类书籍多以阅读、写作和听说类为主，选材涵盖经济、工商、金融、贸易等。其特点之一是涉及的专业内容缺乏系统性和完整性，编写的出发点主要在语言上。当然，市场上也有一些以专业知识为内容的教科书，但它们往往都是零散的，很难满足不同背景读者的不同需要；偶尔上市的这类系列丛书，要么系统性不强，要么只重专业知识或只重语言学习，鲜有两者有机结合的。因此，目前读者特别需要一套系统性强、专业知识与语言技能训练兼容、能满足不同读者需要的丛书。

正是基于上述需要，我们精心策划了这套“商务专业英语系列丛书”。本系列丛书具有十分鲜明的特色，主要有：（1）目的：为具有专业背景的学生和读者

提供学习商务英语和提高实际交流能力的有效学习途径，同时英语语言类专业背景的学生和读者可以学习相关专业的基本原理和框架性专业知识；（2）选材：涵盖各相关专业的基本知识，专业内容具有代表性，语言规范标准；（3）构架：专业知识和语言训练的最佳结合，除了专业知识外，还配有阅读理解问题、专业术语、常用短语、要点综述、相关背景知识和注释以及丰富多彩的练习。

本套丛书的编写者来自对外经济贸易大学、北京外国语大学、中国人民大学等多所高等院校，他们都兼有商科和语言类的学历与学位，而且都是从事商科或商务英语教学与研究多年的资深学者，具有各自专业扎实的知识基础和丰富的教学经验。能有那么多出类拔萃的优秀学者参与编撰这套丛书是我们的极大骄傲和荣幸，同时也是广大读者可以对本套丛书寄予期望和信任的有力保证。

在这套丛书的编写过程中，对外经济贸易大学校长陈准民教授给予了关注和支持；对外经济贸易大学出版社刘军社长高度重视；出版社宋海玲编辑则投入了大量的时间与精力，为丛书的推出作出了重要贡献。我们在此对他们一并表示衷心的感谢。

最后，希望广大读者对使用本套丛书过程中所发现的不足与问题给予指正。

对外经济贸易大学
王关富
2005 年 1 月于惠园

前言

从1990年11月上海证券交易所挂牌开业以来，中国证券市场得到长足发展，挂牌交易的公司从寥寥数家发展到一千四百多家，股民则已达数千万之众，证券市场已经成了人们投资的主要渠道之一。股市张涨落落，人气起起伏伏。对股民来讲，无论空仓满仓，是涨亦忧，落亦愁；不出江湖，心总是揪着。

股市的博弈，除了要有一点运气之外，还必须具备丰富的理财知识，了解股市运营的规律。因此，投资理财方面的书籍、讲座培训班和股市分析、预测的软件应运而生。无须讳言，中国证券市场模仿的是欧美。书本上介绍的理财理念、方法、手段，也都是从欧美借鉴过来的。由于我国的证券市场还属于发展、完善阶段，了解西方证券市场和理财技巧，会有助于股民更好把握投资时机，把握股市发展的趋势。

本书的目的不是讨论如何理财或者如何投资股市，而是简单的介绍证券投资，内容涉及股票、股市分析的工具：基本面分析和技术分析、股票的发行机制、股票的交易、债券、互助基金、期货、期权以及如何来阅读金融版面。

证券投资的研究是一门非常深奥的学科。中国股市中许多概念和名词，都是从西方证券投资中直接意译或者音译过来的，但有些中英文的涵义可能不完全对应。例如“流通股”，过去指的是在上海证券交易所、深圳证券交易所流通的股票，等于总的发行股票中扣除非流通股，即中国证券市场上的上市公司中不能在交易市场上自由买卖股票（包括国家股、国有法人股、内资及外资法人股、发起自然人股等）。而国外流通股的概念中则没有上述非流通股。随着我国股改的完成，这些非流通股也都逐步变成了流通股。因此流通股的概念又趋于统一。本书中出现的翻译，只是多种译法中的一种。

由于作者的水平有限，难免有不当之处，恳请读者批评指正。

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Unit 1

Securities & Markets

Pre reading Questions

1. What is security?
2. Where are securities traded?
3. What are the markets for securities?
4. What is the mechanism of securities markets?
5. What are the characteristics of security English?

Text

A **security** is an **investment instrument**, other than an **insurance policy** or **fixed annuity**, issued by a corporation, government, or other organization which offers evidence of debt or equity. Securities are tradable **interests** representing financial value. They include shares of corporate stock or mutual funds, bonds issued by corporations or governmental agencies, stock options and other derivative securities, limited partnership units, and various other formal "investment instruments."

It is difficult to create a general definition to cover all securities, the United States Security Exchange Commission attempts to define "securities" exhaustively (and not very precisely) as: "any **note**, stock, treasury stock, security future, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral **royalty** or lease, any **collateral-trust** certificate, pre-organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited." — Section 3a item 10 of the 1934 Act.

The Markets

Securities, as with commodities, need a marketplace to trade. The word "market" can have many different meanings, but it is used most often as a **catch-all term** to denote both the primary market and the secondary market. In fact, "primary market" and "secondary market" are both distinct terms that refer respectively to the market where securities are created and to the one in which they are traded among investors. Knowing the functions of the primary and secondary markets is key to understanding how stocks trade. Without them, the stock market would be much harder to **navigate** and much less profitable.

Primary Market The primary market is where securities are created. It's in this market that firms sell new stocks and bonds to the public for the first time. The primary market is **synonymous** with an initial public offering (IPO). The important thing to understand about the primary market is that securities are purchased directly from an issuing company.

Secondary Market The secondary market is what people are talking about when they refer to the "stock market". This includes the New York Stock Exchange (NYSE), Nasdaq and all major exchanges around the world. The defining characteristic of the secondary market is that investors trade amongst themselves. That is, in the secondary market, investors trade previously-issued securities without the involvement of the issuing companies. For example, if one investor goes to buy

Microsoft stock, he is dealing only with another investor who owns shares in Microsoft. Microsoft (the company) is in no way involved with the transaction.

The secondary market can be further broken down into two specialized categories: **auction market** and **dealer market**.

In the auction market, all individuals and institutions that want to trade securities will congregate in one area and announce the prices at which they are willing to buy and sell. These are referred to as **bid** and **ask** prices. The idea is that an efficient market should **prevail** by bringing together all parties and having them publicly declare their prices. Thus, theoretically, the best price of a good need not be sought out because the convergence of buyers and sellers will cause mutually-agreeable prices to emerge. The best example of an auction market is the NYSE.

In contrast, a dealer market does not require parties to converge in a central location. Rather, participants in the market are joined through electronic networks (from low-tech telephones or fax to complicated **order-matching systems**). The dealers hold an inventory of the security in which they "make a market". The dealers then stand ready to buy or sell with market participants. These dealers earn profits through the spread between the prices at which they buy and sell securities. An example of a dealer market is the Nasdaq, in which the dealers, who are known as market makers, provide firm bid and ask prices at which they are willing to buy and sell a security. The theory is that competition among dealers will provide the best possible price for investors.

Sometimes you'll hear a dealer market referred to as an **over-the-counter** (**OTC**) market. The term originally meant a relatively unorganized system where trading did not occur at a physical place, as we described above, but rather through dealer networks. The term was most likely derived from the off-Wall Street trading that boomed during the great bull market of the 1920s, in which shares were sold "over-the-counter" in stock shops. In other words, the stocks were not listed on a stock exchange — they were "unlisted".

Over time, however, the meaning of OTC began to change. The Nasdaq was created in 1971 by the National Association of Securities Dealers (NASD) to bring liquidity to the companies that were trading through dealer networks. At the time, there were few regulations placed on shares trading over-the-counter — something the NASD sought to improve. As the Nasdaq has evolved over time to become a major exchange, the meaning of over-the-counter has become fuzzier. Today, the Nasdaq is still considered a dealer market and, technically, an OTC. However, today's Nasdaq is a stock exchange and, therefore, it is inaccurate to say that it trades in unlisted securities.

Nowadays, the term "over-the-counter" refers to stocks that are not trading on a stock exchange such as the Nasdaq, NYSE or American Stock Exchange (AMEX). This generally means that the stock trades either on the Over-the-Counter Bulletin Board (OTCBB) or the pink sheets. Neither of these networks is an exchange; in fact, they describe themselves as providers of pricing information for securities. OTCBB and pink sheet companies have far fewer regulations to comply with than those that trade shares on a stock exchange. Most securities that trade this way are **penny stocks** or are from very small companies.

The New York Stock Exchange

The New York Stock Exchange (also known by its initials, NYSE, or its nickname, the "Big Board") is the largest and oldest stock exchange in the United States.

There is considerable doubt as to when the first securities market in New York began to function. Some dealings in securities were probably transacted as early as 1725. These operations grew out of an auction market in lower New York at the foot of Wall Street. The market dealt in commodities, such as wheat and tobacco, as well as securities; even slaves were bought and sold until 1788. Certainly the market for securities was of little importance.

The earliest mention of any definite market for securities in the newspapers is found in the Diary, or London's Register, published in New York in March 1792. A group of **brokers** met under a tree at the tip of Manhattan and signed an agreement to trade securities. Unlike some of the newer exchanges, the NYSE still uses a large trading floor in order to conduct its transactions. It is there that the representatives of buyers and sellers, professionals known as brokers, meet and shout out prices at one another in order to strike a deal. This is called the "**open outcry**" system and it usually produces fair market pricing. In order to facilitate the exchange of stocks, the NYSE employs individuals called "**specialists**" who are assigned to manage the buying and selling of specific stocks and to buy those stocks when no one else will. Specialists and traders use a three-letter ticker symbol in order to identify and trade securities on the exchange.

The NYSE was for many years organized as a "**voluntary association**" neither a corporation nor a partnership. In 1972, it was reorganized as a New York State not-for-profit corporation. The previous Board of Governors was replaced by a Board of Directors. Also in that year, the Exchange appointed the first salaried Chairman of the Board of Directors. Prior to that time, the post of Chairman of the Board of Governors was unsalaried, although it conveyed enormous influence and prestige. It was always held by a senior executive or partner of a major member firm.

In 1985, the NYSE's **Constitution** underwent its most comprehensive revision since 1938. The Board of Directors was expanded to 27 members, 24 of whom are elected by the members and 3 "ex officio". The latter are the Chairman of the Board, the Executive Vice Chairman, and the President. The 24 member-chosen directors are divided into two broad categories — **industry directors** and public directors.

The public directors must include at least one associated with an issuer of NYSE-listed securities, but not affiliated with a financial institution. Another must be associated with a financial institution which is a significant investor in equity securities.

The industry directors must include 7 from firms dealing with the public, 3 specialists, and one floor broker. An additional industry director must be from a firm not dealing on a national basis, for example, a "specialty" company such as an arbitrage firm or research "boutique". Half of the industry directors representing public firms must be affiliated with firms based outside New York City. The distribution of industry directors thus ensures that parochial interests cannot dominate the formulation of Exchange policies.

On March 7, 2006, the NYSE Group, a for-profit, publicly-owned company, was formed out of the merger of the New York Stock Exchange and Archipelago Holdings, Inc.

Membership

The NYSE provides the facilities for trading securities which are listed on it.

Access to that market is restricted to members of the Exchange. Membership is restricted but available for purchase by anyone who meets the basic criteria of having reached the age of " majority required to be responsible for contracts in each jurisdiction in which he conducts business" with sponsorship by two current members, and **no impediments caused by violations of securities law or any felonies.**

Prices of memberships, or "seats", fluctuate with market conditions. Much like stock prices, seat prices sometimes respond to forecasts of market activity in an exaggerated fashion program trading. In 1817 a seat on the New York Stock Exchange cost $25. In August 1999, a seat was sold for $2.65 million.

Members can also be leased to those who meet the exchange's criteria for regular membership. From the owner's viewpoint, the lease may be an attractive way of earning a satisfactory rate of return in quiet markets while awaiting an opportunity to sell at a highest price. Some memberships are actually purchased primarily as investments or speculations on higher prices in the future. The lessee, on the other hand, gains access to the exchange floor without tying up a lot of capital.

The NYSE has a small number of "partial" memberships in the form of physical and electronic access members. There is no express limit to the number of electronic access members. The physical access members may trade on the Exchange floor in all securities like regular members, but may not perform specialist functions. The electronic class has access to the NYSE floor through direct telephone line or, alternately, through the **SuperDOT** system.

Types of Membership

Membership is technically the personal property of the seat holder who purchased it. In some cases it is literally that. Seats are often passed along from fathers to sons, or willed to an heir. The vast expenses involved make it practically impossible for all but the wealthy to afford a membership. Most memberships are actually financed by the sponsoring member organization which nominates a candidate from among its employees. Because membership is the personal property of the owner, title may be vested only in an individual's name. Hence, when a member firm such as **Merrill Lynch** transfers a membership from one of its employees to another, the new member signs what is commonly called an ABC agreement that covers the disposition of the seat should the member decide to leave the employ of the sponsor or take up a different position.

Members perform different functions depending on their type of business. The majority are registered as commission brokers. These members represent firms that deal with the public and handle only orders which originate off the floor, either from a customer through a registered representative or from the firm's trading desk. Their primary function is to get the best possible price for the customer by meticulously following the instructions on that order. The number of commission brokers fluctuates but is generally around 500 or so out of the total 1 366 full members.

The next largest group of members consists of those registered as specialists. Their function is to be both market makers in listed stocks and also to provide a brokerage function when orders for those stocks are not capable of immediate execution. At the end of 1990, there were 421 individual specialists and 46 specialist units, ranging from as few as 2 specialists to large units handling markets for over 100 different issues.

Next most numerous are floor brokers, often called " $2 brokers." The name stems from a commission they once charged to execute orders left with them by other brokers. Thus they are "brokers' brokers," meaning that they derive their business from handling orders (which) other members are incapable of handling at that moment. In busy, high-volume trading this can be a lucrative occupation — in slow markets, it is a difficult way to make a living. In recent years, much of their order flow has been siphoned off by the growing use of the DOT system and its successor SuperDOT. As member organizations may route orders directly to the specialist through this system, the $2 broker is often bypassed. A recent development giving them significant new business has been program trading, which involves simultaneous execution of a wide variety of stock orders, often near the close.

There are a small number of registered traders, members who trade for their own account. Because the privileged status of a member with no responsibility to others seems unpalatable to the SEC, the NYSE introduced a variation on this role called registered competitive traders. Such traders are expected to make a substantial portion of their trades to facilitate the execution of public orders.

Finally, some members are seldom (or never) present on the floor. Rather, they devote their attention to customer accounts, corporate finance, and non-floor business. Orders entered by such members or their firms are usually executed through the SuperDOT. These members usually referred to as office members, and their firms are often at some distance from New York. Their business normally does not justify a full-time presence on the floor, a costly proposition in addition to the expense of buying the membership.

Capital Requirements

Every member organization is required to be in compliance with Section 15c, 3 – 1 of the Securities Exchange Act of 1934, plus additional requirements specified by NYSE Rule 325. These rules specify a minimum amount of net capital plus a maximum ratio of net capital to aggregate indebtedness. A member organization's net capital may be loosely defined as its liquid net worth. Excluded from net capital would be such non-liquid items as buildings, office equipment, and even exchange memberships. Even though most of these items have some liquidity, they are removed from the computation as their liquidation under duress might provide less value than expected. A broker is in adequate financial health if its total liabilities do not exceed its liquid assets by more than 10 times. Each firm is required to make regular reports of its capital status to the NYSE. If the ratio rises above 10 times, an early warning alert is issued and the firm is not allowed to expand business. If higher than 12 times, steps must be taken to reduce business. A ratio of greater than 15 times would force the firm into liquidation and cause the SIPC to become involved in the liquidation.

The Operation of NYSE

The New York Stock Exchange operates from a 36,000– square-foot trading floor at 11 Wall Street in New York City. Each of the 3,000 – plus stocks listed on the NYSE is assigned to one of 27 specialist firms that are members of the exchange. Each specialist firm hires individuals — the specialists — to manage the stocks assigned to the firm. An individual specialist may manage from 2 to 10 stocks (the mixture is balanced between high-volume and low-volume stocks), but each stock is represented by only one specialist.

The specialist operates out of one of the 17 trading posts on the floor of the exchange. Each trading post is manned by several specialists and their assistants and outfitted with dozens of computer screens. One post can accommodate more than 150 different securities. Views of the trading posts and the floor of the exchange can be seen at the NYSE web site at www. nyse. com (and also in the background of live television broadcasts from the floor of the exchange).

Along the perimeter of the floor of the exchange are about 1,400 trading booths (also called broker booths) owned and run by member firms and independent brokers. Formerly referred to as "**seats**" on the exchange; they're now called "memberships". They are purchased by broker/dealers or investment banking firms like Goldman Sachs, Merrill Lynch, or Salomon Smith Barney for the privilege of doing business at the New York Stock Exchange. Members may also purchase physical or electronic access rather than a seat.

Floor brokers, the individuals who trade stocks on the floor of the exchange, communicate with the specialists face-to-face, while brokers who are not on the trading floor communicate with the specialists directly through SuperDot, the NYSE's electronic order-handling system. There are also independent floor brokers not associated with a broker booth — known as "free agents" — who represent nonmember broker/dealers.

All orders for a stock flow through the specialist, who is responsible for matching buy orders with sell orders — or, as mentioned earlier, if no buyers or sellers can be found, to trade the stock for his or her firm's account. Obviously, this gives the specialist enormous control over the price of the stock. That control is most obvious whenever a specialist calls a trading halt. If an unusual news event is expected to greatly impact the price of a stock, the NYSE specialist can stop trading in the stock — sometimes for hours — until he or she can sort out the orders and arrive at a "reasonable" price.

Execution of an NYSE Trade

Day traders' orders are routed directly to SuperDot, an acronym for Super Designated Order Turnaround System. SuperDot is used by the New York Stock Exchange since 1976 (originally called DOT and renamed SuperDot in 1984). It links member firms directly to the specialists and is used primarily for smaller orders (orders less than 2,100 shares have priority). Some 40 percent of all shares traded on the NYSE go through SuperDot, but it handles more than 80 percent of all NYSE orders. SuperDot is not directly accessible by individuals, but when a day trader routes an order to the NYSE, it goes through SuperDot.

To see how brokers and specialists work together, let's do a little role-playing as an ordinary investor.

- Let's say you just placed an order with your broker at Merrill Lynch to buy America Online (AOL), an NYSE-listed stock.
- Your ML broker transmits the order (either by phone or electronically) to the Merrill Lynch broker booth on the floor of the exchange. The order is printed and handed to a **floor broker**. The floor broker then becomes your agent for the purchase or sale of the stock.
- If your order is a market order, the floor broker carries it to the trading post of the specialist that represents AOL and tries to get the best price from other floor brokers who are holding sell orders at the AOL trading post.
- If the order is a limit order, the AOL specialist enters it into a computerized limit order book where it will stay until it becomes a marketable limit order — that is, until the stock price reaches the limit price, at which time the limit order becomes a market order and is executed — or until the order expires or is canceled.
- Once a trade is executed, the process is reversed. The specialist enters the trade in the system, where it appears instantaneously on tickers around the world. The floor broker transmits the information to the Merrill Lynch trading booth, which **relays** it to your ML broker, who calls or e-mails you with a confirmation.

The Nasdaq Stock Market

The Nasdaq Stock Market is an electronic network of broker/dealers. It is sometimes referred to as the over-the-counter or OTC market, a name that originated in its past.

Prior to 1971, all stocks not listed on an exchange were traded "over the counter" in brokers' offices. In 1971, the National Association of Security Dealers