



## Overview

With the rapidly increasing role of the Internet in our daily lives on both, the personal and the professional levels, the introduction of the "Online Trading" concept to the Financial Markets deemed necessary.

Online trading is defined as buying and selling financial products or securities online using the Internet. Stock Exchanges offering such a service should have an advanced trading system to be able to absorb and handle online orders and their execution efficiently.

Investors interested in online trading should access the market through a licensed online broker by either:

- sending an electronic order directly to the broker, who will then place this order on the market; or
- placing the order directly on the market through the connection provided by the online broker and under the broker's account.

It is worth mentioning that in some markets, where more than one stock exchange exists, online trading does not allow the investor to directly place his orders on the market but he is obliged to send the orders over the Internet to his online broker, who in turn decides which market to send this order to for execution.



## Advantages of Online Trading

- Enables investors to watch the trade execution details and to track their portfolios online.
- Provides real-time market information.
- Eliminates bad deliveries, counterfeit signatures, theft and mutation of shares, being the major problems that plague trading of securities.
- Facilitates cross-border transactions and helps in avoiding the intensive need for intermediaries.
- Investors can benefit from the discounted brokerage fees charged on electronic transactions

In short, online trading makes it easier and cheaper for investors to access the securities' market.



However, analysts pointed out that online trading could be associated with some risks such as encouraging active day trading, leading the overall market to be more vulnerable to volatility and speculative deals.

Therefore, **online investors should be aware** of the following:

- Although online trades can be executed in few seconds, investors and traders must take their time to make wise investment decisions.
- Online trading requires high concentration as some investors place their orders more than once mistakenly assuming that the orders have not been executed, hence ending up either owning more than the amount demanded or with selling stocks they don't own.
- In fast moving markets, delays may occur due to the rush of orders placed on the market at the same time, combined with quick price changes, online traders might end up with transactions executed at different prices than wanted. Some investors protect themselves by placing "limit orders" rather than "market orders", where a limit order is an order to buy or sell a security at a specific price, so a buy limit order can only be executed at the limit price or lower, and a sell limit order can only be executed at the limit price or higher.
- Online traders should determine if the stock quotes and account updates received are real-time or delayed data.
- Technological obstacles (e.g. internet provider delays, computer or modem problems, .. etc) must be taken into consideration.
- Online traders should verify the registration status and disciplinary history of the online broker they chose to deal with.