

Trading of Shares Via Internet

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Abstract

The financial markets were affected by the development of modern technology and resulted in a shift from the traditional shares trading system to online shares trading, and this transformation entailed an increase in the number of investors because of its advantages, as it allows the investor to manage his investments by himself through the service provided by the Mediator and follow them electronically via the Internet. Therefore, the investor must know the legal rules and mechanisms for trading shares via the Internet, as well as realize that trading shares in this modern way is accompanied by defects that may achieve a loss. From the foregoing, we decided to divide the research into two sections, the first section deals with the nature of shares trading via the Internet, and the second section deals with the mechanism of trading shares via the Internet.

Keywords: Shares, Shares Trading, Mediator.

Introduction

The financial markets have witnessed a great development in all aspects, especially online shares trading through their use of the online shares trading system. The Iraqi legislator has been keen to regulate online trading under the instructions for trading securities for investors via the Internet in the Iraq Shares Exchange for the year 2016 by setting rules and procedures that are guarantees that ensure the process of trading shares via the Internet. This type of trading is characterized by speed and low effort and costs, so the investor can Assign Shares by entering buy and sell orders into the trading system used in the market through the service provided by the broker and follow up his investments by himself at any time and from anywhere, providing the investor with different financial markets under which he deals with shares, taking into account the legal rules that regulate the work of the market and knowing the legal effects of the trading process for shares.

Importance of research

The importance of the research lies in the fact that it deals with a very important topic in the shares market, which is the trading of shares via the Internet and its role in attracting investors, which positively affects the economy as a whole, as well as the fact that shares are the most common securities. In addition to the advantages and disadvantages of this type of trading, it makes it necessary for the investor to realize the importance of mastering the electronic procedures to complete the trading process.

Research Objective

The research aims to identify the trading of shares via the Internet and its impact on the movement of economic activity and highlight the importance of full knowledge of the investor mechanism of trading shares via the Internet and its advantages and

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disadvantages that may cause a loss, as the research aims to indicate the role of the broker in providing trading service as well as disclosure and dealing transparently with the investor.

Research problem:

The problem of the research is that dealing with trading shares via the Internet is still ambiguous to many investors, so the research seeks to remove the ambiguity by answering the following questions:

What is Shares trading via Internet?

What are the advantages and disadvantages of Shares trading via Internet?

What is the mechanism of Shares trading via Internet?

What is the role of the mediator Shares trading via Internet?

Research Plan:

We decided to divide the research according to the following plan:

The first topic: the nature of shares trading via the Internet

- The first requirement: introducing shares trading via Internet
- Second requirement: advantages and disadvantages of trading shares via the Internet

The second topic: the mechanism of assign shares via Internet

- The first requirement: the mediator in Shares trading via Internet
- Second Requirement: Buying and Selling Orders

The first topic: the nature of shares trading via the Internet

The great development of the use of the Internet has led to the emergence of modern mechanisms for trading shares to attract a larger number of investors, so the sale and purchase of shares of companies listed on the shares markets has become via the Internet, so it is necessary to clarify the definition of trading shares via the Internet and then address the advantages and disadvantages of trading shares via the Internet

The first requirement: introducing shares trading via the Internet

The share represents the shareholder's share in money companies and shares trading is by selling or buying the share, so it is necessary to indicate the place of trading, which is the shares, and then a statement of shares trading via the Internet

Subchapter One: Place of trading (Shares):

The share represents the right of the shareholder in the company and the shares are divided into different types, which we describe successively:

1) Shares are divided in terms of form into nominal shares and bearer shares

This type of shares makes the right a negotiable value, as nominal shares mean those shares in which the name of the owner is mentioned on the voucher given to the shareholder and his ownership of the shares and are registered in the shareholders' register. As for bearer shares, they are issued without mentioning the name of a specific person and that the trading of this type of shares negatively affects the company's work, as it is difficult to know the shareholders and invite them to the meetings of the General Assembly in the event that the company needs the decision of the majority of shareholders, as it is feared for the bearer shares from loss and theft (1).

2) In terms of the rights conferred by the share, the shares are divided into preferred shares and shares in kind

Preferred shares represent a share in the company's ownership that gives its holder the right to enjoy additional advantages over the rights of ordinary shareholders, such as the preference shareholders enjoying priority in the distribution, and in most cases the owners of preferred shares do not have the right to vote in the company unless the company's contract provides otherwise. As for the ordinary shares, their owners shall not have a share in the annual profits until after the company decides that it will distribute the dividends, and also after the payment of the rights of the holders of preferred shares and they have the right to vote in the meetings of the company's general assembly (2).

3) Shares are divided in terms of the nature of the shareholder's right into cash shares and shares in kind

Cash shares are paid in cash, i.e. they are given to the shareholder in exchange for a certain amount of money. As for the shares in kind, they represent a share in kind as real estate or movable. They must be properly valued to protect the interests of shareholders and lest they be overestimated in order to obtain fictitious profits (3).

4) Shares are divided in terms of the relationship of shares to capital into capital shares and enjoyment shares

Capital shares represent part of the company's capital according to their nominal value. As for the enjoyment shares, they are given to the shareholder whose shares were depreciated in the capital during the life of the company, i.e. their value was extinguished by the company.

As for the position of the Iraqi legislator on the types of shares above, the Iraqi law only defines monetary shares. The nominal value of the share is one dinar and it is not permissible to issue shares with a lower or higher value except as stipulated by law (4).

Subchapter Two: Online Shares Trading:

The shares trading process went through several stages leading to shares trading via the Internet, as follows:

The first stage: the stage of manual trading of shares:

At this stage, the mechanisms of registration and settlement are adopted manually and the announcement of prices in a calling manner, so the broker displays the sale order loudly for other brokers to hear, and the buy and sell orders are recorded on a plastic board, and whoever submits the acceptance of the offer meets then the offer meets the acceptance and trading is held, so the ownership is transferred in the depository center manually, and with the increase in shares trading operations and the development of financial markets, this method is no longer consistent with the requirements of modern markets, which led to its abandonment (5).

The second stage: the stage of electronic trading of shares:

At this stage, advanced technology has entered the processes of registering sales and buying orders for shares and completing settlement procedures electronically, as plastic panels have been replaced by electronic trading stations in the shares market, so the ownership of shares is transferred directly and financial settlements are made immediately after the session.

Third Stage: Trading of Shares via Internet:

This stage is the subject of our research, as the trading of shares has become via the Internet, so the investor can manage his investments himself via the Internet from his office or home, so he is allowed to manage the shares by selling or buying them wherever he is located via the Internet by subscribing to a brokerage company that is licensed to

practice this activity. Online trading is known as an advanced technical system through which the sale and purchase of shares is carried out remotely through safe, reliable and programmed programs in many global markets, so buy and sell orders are entered through modern communication devices, meeting the supply and demand of shares and executing electronically (6). Internet trading is also known as a set of computerized terminals linked to each other and the center with high-speed communication lines, as buy and sell orders are entered electronically via the devices. It is sent to the center (7). Article (2) of the Instructions for Trading Securities for Investors via the Internet in the Iraq Shares Exchange defined the Internet trading service as the service provided by the broker to the investor wishing to do so so that he can enter buy and sell orders and follow them himself through the use of the Internet through a licensed system (8). Through the above definition, the following observations can be summarized:

- 1) Resorting to online shares trading is optional for the investor, as he has the option to use this service or not.
- 2) The use of the online shares trading system is subject to the approval of the Market Authority.
- 3) The use of online shares trading is through the electronic system provided by the broker allowed to provide this service.

Based on the above, we can define shares trading via the Internet as an electronic system provided by the broker licensed by the market to the investor to facilitate the trading of shares via the Internet.

The second requirement: advantages and disadvantages of trading shares via Internet:

Shares via Internet has several advantages, but on the other hand, there are disadvantages to this type of trading, including:

Subchapter I: Advantages of Trading Shares Online

Online shares trading has several advantages, including:

- 1) Speed in the completion of the process of trading shares as the means used for trading shortens the distances and times necessary to conduct the trading process, whether it is a sale of shares or a purchase and time and speed is of great importance in the field of commercial transactions.
- 2) Ease of obtaining accurate information about the shares to make an investment decision, as the investor can anywhere verify his balance of shares or verify the shares to be purchased without the need to go to the shares market.
- 3) Online shares trading allows the service of buying and selling in more than one shares market, which contributes to increasing the volume of transactions as well as attracting foreign capital and increasing market liquidity.
- 4) Lower costs Brokerage firms charge online investors a lower commission than regular shares trading.

Subchapter Two: Disadvantages of Trading Shares via the Internet

The disadvantages of trading shares online can be summarized as follows:

- 1- Crowding on the Internet due to the large number of requests for trading in buying and selling shares, and thus some losses may occur, and the possible malfunction that may affect the modern communication device leads to difficulty in completing trading, delay in submitting orders, or loss of orders through communication.
- 2- Software related to shares trading is subject to software breach by computer hackers or any third party or those defects related to computer viruses

3- The investor may lose the password or use it by another party or repeat the order by mistake or unintentionally, or not filling out the application form correctly or not pressing the investor on the button to confirm the order issued by him, which results in canceling the order, all these uses may lead to a loss to the investor.

4- The electronic systems used over the Internet lack security, so recent studies have tended to address cybersecurity of information, so the investor has to choose reliable brokerage companies due to the large number of fake or unknown brokerage companies to avoid cases of fraud and fraud

The second topic: the mechanism of assign shares via Internet

First of all, online Assignment of Shares requires the presence of a broker who contracts with the investor to execute buy and sell orders for shares issued by the latter. Therefore, it is necessary to address the broker in trading shares via Internet and then indicate buy and sell orders.

The first requirement: the Mediator in trading of Shares via the Internet:

The Iraqi legislator limited the trading of shares via the Internet to the Mediator, who represents the link between the investor and the market, so it is necessary to introduce the broker and then address the statement of his role in the trading process

Subchapter One: Definition of the Mediator:

The Mediator is defined as a person with knowledge and competence in the shares of companies and carries out the sale and purchase of shares through the shares market (9) It is also defined as a person licensed by the market in the form of a company or bank and carries out the sale and purchase of shares and executes them for the investor's account in exchange for a commission in the shares market (10). Securities Trading Instructions The Mediator is defined as: "The company licensed by the Commission and the Council to practice financial brokerage business and registered in the register of the Association of Financial Brokers in Iraq" (11) . Article (No. 2) of the Instructions for Trading Securities for Investors via the Internet in the Iraq Shares Exchange defined the Mediator as: "The legal person licensed by the Commission to practice brokerage business in securities and is allowed to provide the service" (12) The concept of the Mediator is limited to legal persons; this type of business is limited to banks and companies. The Interim Law of Securities Markets No. 74 of 2004 defined in the first section of the broker as :(10 Broker: means the person authorized by the Board of Governors under Chapter (5) (1, A) of this Law and the dealer in bond transactions in the securities market or the legal person authorized under Chapter (5) (1, B) and the bank may be accepted as an intermediary if authorized to operate in accordance with that authority. Paragraph (1) of Section V of the Temporary Law of Securities Markets No. 74 of 2004 stipulates that: "The Mediator authorized to work in the securities market shall be one of the following: A bank authorized under the Banking Law, including foreign subsidiaries and subsidiaries, to participate in dealing in bonds in Iraq. A company established in accordance with the Companies Law No. 21 of 1997 or its subsequent laws and its amendments, and which shall be specialized in activities related to bond trading, investment management or investment advisory work, whose authorized manager meets the conditions stipulated in Section five (2). The limitation of the mediator to the legal person can be justified for two reasons:

- First: the special nature of the Mediator's work, as it enjoys an independent legal status as well as the work of the intermediary bank to facilitate and regulate the trading process.

- Second: Providing protection for investors, as many of them lack sufficient experience to Assign of Shares in the shares market, as well as obtaining the value of the

share without the need to incur the hardship of searching for a buyer if the investor relies on his own effort.

Subchapter Two: The role of the Mediator in trading shares via the Internet:

The Mediator is the person licensed by the market and allowed to provide the online trading service to the investor who wishes to do so. As the broker provides the investor with an electronic trading system licensed by the market, and it is the broker's responsibility to keep the disclosure of the risks of online trading on his website at all times as well as any information related to the service, and the broker must take all necessary measures to verify the identity of the investor while keeping a true copy of all documents used to verify it (13). Securities Trading Instructions (14) The broker for the purpose of regulating the shares trading process to conclude an agreement with the investor to regulate the relationship between the two parties and determine the rights and obligations, including in particular:

Risk disclosure statement and the investor's signature on his acknowledgment of receiving the statement and reviewing it.

Confirm the investor's responsibility to maintain his username and password.

The investor's agreement to receive the documents and correspondence electronically, as well as a statement of the commission to be charged by the broker.

Emphasizing the investor's awareness of the risks that may be incurred by his investments in trading shares via the Internet, especially those arising from the possibility of delaying the arrival of orders sent by him to the system.

The legislator did well by stipulating the data contained in the agreement concluded between the two parties to preserve the rights of each party, as well as the importance of recognizing the defects related to the electronic means used.

Second Requirement: Buying and Selling Orders

Before entering into how to issue buy and sell orders via the Internet, it is necessary to indicate the conditions that must be met in the buy and sell orders.

Subchapter One: Conditions of Purchase and Sale Orders

The order represents the instruction sent to the trading system to buy or sell shares and stipulates:

- 1) The order is specific, so the investor clearly determines the direction of the trade, whether to buy or sell, the price at which the sale or purchase is made, the number of shares to be traded, and in general any information necessary for the proper execution of the order.
- 2) That it is not tainted by defects of will, the order to sell or buy should be issued by a peaceful will, as the trading of shares is a business (15) that is required for its validity to be issued by a sound will and in accordance with what is determined by the general rules.
- 3) The order issued by the investor shall be a project that does not violate public order.
- 4) The order to sell shall be issued by the owner of the shares, and if the ownership of the shares is in dispute, the Mediator shall refrain from executing the order (16).

Subchapter Two: Issuance of Orders for Sale and Purchase via the Internet

The investor can enter the buy or sell orders for shares to the trading system itself through the use of the Internet, and after the investor obtains the information to access his account via the Internet through the broker he deals with, he is able to follow the course of trading and enter his buy and sell orders himself. The investor follows the prices of shares live as

well as any other information provided by the broker to him through the system, and the broker through the system makes sure that the sufficient balance of shares is available in the investor's account before accepting the order. In the event of buying shares, the value of the cash equivalent to the value of the purchase order plus the due trading commission is reserved from the balance of the cash account available for trading to the investor, as soon as the purchase order is entered into the system, as well as modifying the value of the reserved cash balance in the event that the investor modifies or cancels the entered purchase order, and in the event that the order is executed in whole or in part, the system immediately deducts the cost of the purchased shares and adjusts the cash balance depending on the execution price. In the case of sale, the system reserves the number of shares offered from the investor's balance available for trading, and in the event that the sale order is partially or fully executed, the executed quantity is deducted from the investor's balance and his cash balance is increased equivalent to the value of the sold shares minus the due trading commission. The investor may issue to the broker new buy or sell orders or request the amendment or cancellation of previously entered orders that are not executed or partially executed on his behalf in the event that the service is not available to the investor for any reason during the broker's official working hours (17). The investor must comply with the technical requirements specified by the broker and must be met in the Internet connection line and in the computers used.

Conclusion:

Praise be to Allah, Lord of the Worlds, after God Almighty helped us to write the research, we reached the following results and proposals:

First: Results

- 1- Resorting to online shares trading is optional for the investor, as he has the option to use this service or not.
- 2- The use of shares trading via the Internet is through the electronic system provided by the broker allowed to provide this service, as the Iraqi legislator limited shares trading to the broker licensed by the shares market.
- 3- Online shares trading can be defined as an electronic system provided by a broker licensed by the market to the investor to facilitate online shares trading.
- 4- The mediator in Iraqi law is a legal person and the limitation of the mediator to a legal person can be justified for two reasons: First: the special nature of the broker's work, as he enjoys an independent legal status Second: providing protection for investors, as many of them lack sufficient experience to Assign of Shares in the shares market as well as obtaining the value of the share without the need to incur the hardship of searching for a buyer if the investor relies on his own effort.
- 5- The legislator did well by stipulating the data contained in the agreement concluded between the two parties to preserve the rights of each party, as well as the importance of recognizing the defects related to the electronic means used.

Second: Proposals

- 1- We propose to the Iraqi legislator to amend Article (2) of the Instructions for Trading Securities for Investors via the Internet in the Iraq Shares Exchange in the definition of the Mediator by replacing the phrase "legal person" with "legal person" in accordance with what is determined by Article (47) of the Iraqi Civil Law
- 2- We suggest to the legislator to adopt a text in the instructions for trading securities for investors via the Internet in the Iraq Shares Exchange obliges the broker to create a division with experience in the field of information technology to avoid defects that may occur during the trading of shares via the Internet.

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