

# OTC and Exchange Traded securities

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# OTC Securities

## Definition

OTC securities are financial instruments that are traded directly between two parties outside of a formal exchange.

## Advantages

Flexibility in negotiations and pricing, allowing for customization and tailored agreements.

## Risks

Lack of transparency, limited regulation, and potentially higher counterparty risk.

# Exchange Traded Securities

## 1 Definition

Exchange Traded securities are financial instruments traded on centralized exchanges such as stock markets.

## 2 Advantages

Liquidity, price transparency, and access to a wide range of investment options in a regulated environment.

## 3 Risks

Market volatility, potential for execution delays, and fees associated with trading on exchanges.

# Differences between OTC and Exchange Traded securities

OTC Securities	Exchange Traded Securities
Traded directly between parties	Traded on centralized exchanges
Customizable agreements	Standardized contracts
Limited regulation	Regulated by authorities

# Advantages of OTC securities

## Flexibility

OTC securities allow for negotiation and customization, catering to specific investor needs.

## Access

OTC markets provide access to investment opportunities not available on exchanges.

## Confidentiality

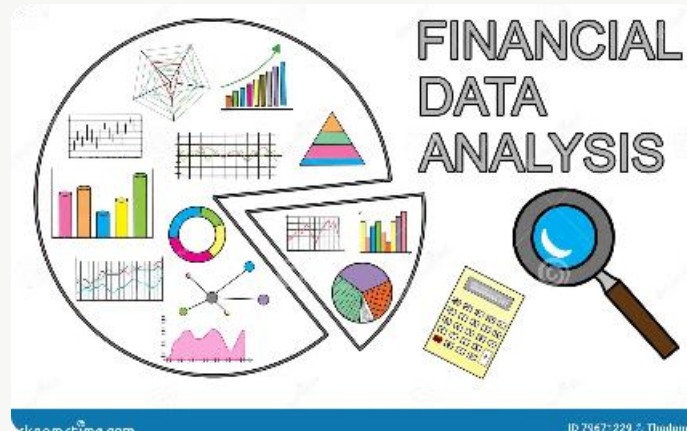
OTC transactions can be more private, keeping sensitive information away from public scrutiny.

# Advantages of Exchange Traded securities



## Liquidity

Exchange Traded securities offer high liquidity, allowing for easy buying and selling.



## Transparency

Market data is readily available, providing transparency for informed investment decisions.



## Diversification

Exchanges offer a wide array of investment options, allowing for portfolio diversification.

# Risks associated with OTC securities

1

## Counterparty Risk

OTC trades involve credit risk as there is no central clearinghouse to guarantee transactions.

2

## Less Regulation

OTC markets may have less oversight, potentially exposing investors to higher risks.

3

## Price Manipulation

With limited transparency, there is a risk of price manipulation in OTC markets.

# Risks associated with Exchange Traded securities

1

## Market Volatility

Exchange Traded securities are subject to market fluctuations, impacting investment value.

2

## Execution Delays

High trading volumes can lead to delays in the execution of buy and sell orders.

3

## Fees and Expenses

Trading on exchanges may involve commission fees, expenses, and additional charges.