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HOW STOCK MARKET REGULATION MECHANISMS CONTRIBUTE TO ECONOMIC STABILIZATION

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Summary. *This research paper suggests that stock market regulation mechanisms occupy a vital position in keeping economic security intact. It shows how the implementation of these mechanisms maintains both the stability of the financial market system, and the development of the real economy, thereby ensuring the normal process of the economy.*

Both investors and enterprises are directly playing roles of "arteries and veins" of the economy, since funds are moving around the nation to direct enterprises and industries. Not only does the economy get the momentum for proper circulation, but also the tendencies of the enterprises and industries towards growth or stagnation are determined by competition for capital among investors.

The elements of economic security cover numerous important components; with financial stability being the most significant. Stability in stock terms requires the evaluation of asset quality, liquidity position, and marketing/media. Why this is important is that the market fluctuations may happen to the loss of the assets held by financial institutions, leading to a scarcity of liquidity and triggering the crisis, which will cause a lack of financing for the real economy; hence freezing the credit market. Thus basic elements of economic security include the stable foundation of real sector of economy as well. Being indirectly linked to the main trends of various sectors, the stock market speaks to terms that concern financial conditions and credit supplies of enterprises.

Corporations which go public have to provide important information, including their financial position, ongoing and future actions to the public in accordance with the regulations set forth, and within specified times. This process helps investors to base their investment decisions on authentic and accurate information. In the future, the law can define insider trading as a truly serious offense that will merit severe penalties in order to protect the market as a fair and equal place.

Whenever the market operates under enormous fluctuations, particularly within a short timeframe, the halt mechanism can be successfully operated as a result of, for instance, the circuit breaker suspending trading for a while for everybody on the market to calm down. Also, banks – granting licenses to financial institutions – usually require the capital adequacy ratio in relation to the liquidity of institutions in order to limit systemic risks caused by repeating the exposure of risks of individual institutions.

One instance of this is through the circuit breaker, which eliminates trading activity immediately after the market falls or rises drastically, avoiding a crash. Such regulations as capital adequacy ratios for financial institutions are another way to enhance the stability of the financial system, considering the fact that adequate capital becomes the major tool to resist risks that may propagate to the entire system and destabilize the whole financial market. It can deliver important contributions to the current and prospective strengths of the financial system and provide a concrete framework for future financial security.

In government endeavour including tax incentives, investment in the long-term enterprise of real economy is encouraged, while that of the virtual economy is suppressed thus diverting the gap and making the capital act on the major activities of the economy and empower the economy, push them to expand their scale, do some high technology and create much more jobs and economic. Secondly, the regulation ensures that the degree of fairness and convenience of financing for the real economy enterprises in the stock market are at the correct level. Through means such as market access standardization and information disclosure regulation surpassing to a subsisting standard, the stock exchange has been made more convenient and less costly for the high quality enterprises of the real economy to enter and help put much momentum into the continued healthy growth of the real economy and the further stable of the basis for economic security.

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