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THE IMPACT OF INVESTMENT RISKS ON SECURITIES IN LEBANON

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Abstract

The purpose of this study is to show the reality ofthe investmentclimate on the stock market in general and in particular on Lebanese Bourse by clarifying the most important concepts relating to securities and portfolio risk stemming from investments. Various criteria have been clarified as well as decisions of various behaviors of investors highlighting various aspects of diversification in assets to form a portfolio with the least possible risk. A descriptive approach has been followed to draw conclusions representing numerous and diverse risks. Most notably these are lack of experience of small investors in this type of investment which contributes to Increased risk in their investments either blocking handling of securities which wastes investment opportunities and opportunities in the capital markets, or could be an uninformed adventure leading to loss of their savings. Therefore,the study made a number of recommendationsurging the pertinent securities legislators in the Arab world and Lebanon in particular, to enact a legislaturethat corresponds with the protection of the interests of small and medium-sized investors.

I. INTRODUCTION

The nature and basis of economic development adopted by each country may differ, but no matter how different approaches and economic systemsare in terms of philosophy and frameworks, they pursue the same goals of raising the standard of living. This could only be achieved by raising the rate of investment and diversification. The latter is considered the cornerstone of inclusive and sustainable development process. Investment is the allocation of funds in different areas, leading to maximizing the economic and financial viability, as well as playing a positive role in accelerating development. The basic problem facing acceleration of development is funding, represented by inadequate savings rates of various kinds compared with investment rates. Financing development lies in finding sources of saving and means to mobilize such savings for development, which can only be realized through an integrated structure of financial institutions and organizations capable of customization and good guidance to those savings for productive investment purposes. The Financial market is an interaction tool anda meeting place of different investment powers, as they are considered an effective financing channel for developed nations to fund its economy. However,it is considered a new tool in some developing countries.

Investors in Securities seeks a satisfactory return guarantee as a minimum compensation for risks because of his investment. In fact,an investment that is risk proof is unimaginable.In addition, investment in securities in particular presents several risks to investors resulting from price fluctuation in stock invested, including exchange rate fluctuations in addition to risks involving the ability to get rid of risk investment in a certain amount of time. Therefore, it is difficult for an investor to determine precisely the rate of return on investment, in a world characterized by uncertainty about the future. In such a world, it is difficult or even impossible for an investor to determine precisely the size of the expected yield though he can measure the risks associated with investing in stock through Probability distribution for this return and estimating the number of possibilities, and the weight of each possible value of expected return.

Research Problematic

In the light of this brief, the following problems could be pointed:
What are the risks of investing in Lebanese securities and ways to prevent them?
Branching into the following questions:

1. What is the role of stock market in boosting investment generally and "financial investment" in particular?

2. What are the means for measuring risks and the ability to predict them?

3. What is the reality of the Beirut stock exchange?

The importance of the study

The financial portfolio was merely an investment tool just like any financial asset (shares, bonds), but with the developments in the world of investment, the financial portfolio has a dual role; it is an investment tool, and a tool to cover and reduce risks.

Since the portfolio may not achieve the desired results in terms of return and risk, it was necessary to develop models and indicators, which allow management and assessment of the portfolio.

Study goals

Due to cyclical changes in the economic environment caused by the large end flows of funds in the financial markets on the investor, the objectives of the study are embodied in the reasons for the choice:

Understanding the reality of the investment climate in the Borse.

Explaining the important concepts related to the portfolio.

Explaining the various criteria for making decisions and different behaviors of investors.

Highlighting various aspects of diversification in the asset for portfolio composition.

Highlighting the importance of using indicators to assess the financial portfolio.

Knowing the risk premium for the selected portfolios.

Hypotheses of the study:

This study is based on testing the following hypothesis:

H1: There is a role for stock market investment in activating investment in general and activating financial investment in particular.

H2: There are various risks insecurities investment, which have to be protected

H3 There isa limited role for Beirut stock exchange to reduce the risks of investment in securities.

Limits of the study

The substantive limits: a study of investment risk and its impact on the Lebanese stock. Temporal boundaries: field study covering the past 2017 and 2018.

Spatial boundaries: this study will be applied in the Beirut stock exchange.

Methodology of the study: analysis and deductions will depend on the descriptive approach guided by its use and collection of information and data published through books and websites.

II. LITERATURE REVIEW

- Study by (Owisi, Samir 2010) entitled "analysis of trends in individual investors in Palestine stock market ' Islamic University Masters Research, Gaza.

The content of the study identified investors trends in PSE financial papers in the Gaza Strip, by studying factors influencing behaviors and orientations of individual investors in PSE. The study relied on the descriptive approach through data collection and interpretation and statistical software.

The study found that investors are interested in follow up of business and financial news across different media, and consider rumors as factors influencing investment decisions. It became clear that investing in foreign financial markets negatively affects investment in PSE.

The researcher reached the main recommendations, which required the provision of appropriate training programs for personnel brokering companies on how to provide and deliver the information needed by the investor. Brokerage firms are recommended to open branches in other provinces because that would increase the number of investors in the Palestine Securities Exchange market, as well as coordination between PSE and Palestinian satellite TV to provide a daily or weekly bulletin on a set time regarding trading results and PSE business to provide information needed by current and prospective investor.

- The study by (Majali, Iyad 2011) entitled "impact of economic variables on the size of foreign investment in Oman Stock Exchange securities. A PhD dissertation-Faculty of Economics University of Damascus, Syria.

The study discussed factors influencing the size of the net foreign investment as indication on the size of the demand for investment in the stock market. The study showed the impact of each true variable exchange rate, variable money supply, variable market share price, variable domestic and foreign spending, the size of net foreign investment (1978-2007). The purpose of this study was to analyze the impact of those factors using several models to learn the study variables with the passage of time. The most important results reached are that the study variables are not stable at the level, yet they settle down.

- Studyby (Abdelli, Sarah 2012) entitled "portfolio performance measurement" a Masters dissertation -university of Qasdi Merbah and Ouargla. The purpose of this study is to highlight the importance of investing in securities within the financial portfolio and to measure its performance selecting the best based on scientific methods, the risks for the selected portfolios. The researcher found that Trenz and Johnson index has an important role in measuring portfolio performance, through its contribution in choosing

The portfolio with the best performance. It is not necessary that the chosen portfolio for the first indicator is the same chosen by the second indicator. It is also possible that the better-performing portfolio is insufficient to cover investment risks.

- The study by (Muqadam, Leyla 2017) entitled " A study of the risks on dividends between the Sudanese stock market and the Jordanian stock market relying on the value at risk approach. The Study discussed the process of measuring risk in any complex financial market processes that need accurate information and data about the market as a whole and the most important factors surrounding it. Therefore measuring each market's risk separately is difficult and a complex operations for financial analysts of financial markets. On this basis, a standard has been proposed for the value at risk on stock returns in both the Sudanese and the Jordanian market to compare the two markets. One of the most important findings of the researcher is that the risks associated with stock returns in the Islamic market is less than the risk associated with stock market returns in usurious markets.

III. ORGANIZATION OF THE STUDY

In addition to the epilogue, the study was split into two sections and a conclusion as follows:

First section: theoretical study.

Second section: field study (Beirut Borse)

Conclusion: conclusions and recommendations

First section: Theoretical Study

1.1 Financial investmentand investment objectives: are fundamental pillars of the economic activity. Investment requires using strategies and a great ability to read future trends. Like any other process, investment requires planning and moving forward with calculated steps taking into account all risk factors in accordance with the investment instrument used.

1. Definition of financial investment

Real investment definition: is the sum of the investments represented by creating productive assets to make a profit or a purchase and own capital assets, such as land investment, factories, gold. Etc., and this type of investment leads to a real increase in GDP and in the composition of capital accumulation (Al Shabib, 2009).

As for financial investment, there are several definitions:

First definition: It is the product of having invested (natural or legal) ownership of tools (all kinds of stocks) or debt instruments (bonds of all kinds) to achieve a return on a calculated risk (Tameemi, 2004).

Second definition: It is buy into a capital as shares or a share in the loan, represented in bonds or certificates of deposit that entitles the holder to claim profits or interests and other rights recognized by the laws related to the investment in financial assets (Ramadan, 2011)

2- Financial investment objectives

Financial investment aims to achieve a set of goals for the investor:

a- securing the future.

b-Continuous development of wealth with an acceptable return

c- realizing maximum ongoing income.

d- Protecting money from lower purchasing power due to inflation.

e- Achieving the greatest possible growth in wealth protecting incomes from taxes.

2.1 Investment tools in the financial market

Securities are considered the commodity in circulation in the financial market. These tools are also one of the most important investment areas for various segments of investors. These tools give the bearer the right for a return by distributing a portion of the profits, or getting a fixed amount of money. Some of these tools are traded on short term such as money market instruments in particular. Investment tools, medium or long term, pertains to those interested in investing in the capital market (shares, bonds of all kinds, and fiscal derivatives).

1. Proprietary tools (shares)

The ownership instruments (shares) are among the most important financial instruments traded in the stock market, and features several characteristics and advantages differentiating it vastly from the rest of the other financial instruments traded in the market.

Definition of shares: it is a share in a company giving the bearer ownership of a part of it and the right to vote in general assemblies and the right to dividends and the right to residual value when liquidation (Atteya, 2001).

2. Bonds (debt instruments)

Bonds represent debt instruments, which are the responsibility of the issuing company. Under this financial are several species.

Definition of bonds: A bond is a negotiable instrument representing a loan and issued by the Government or businesses, and the holder is a company creditor (Ahmed)

3. Fiscal Derivatives: are defined as new and varied investment tools, and are given that name because they are derived from traditional investment tools such as stocks and bonds, and its value depends on the prices of these tools. Derivative instruments are financial contracts relating to operations outside the budget especially for banks, its value is determined by the value of one or more of the assets or equipment or related core indicators "(shelaghheffernan," modern banking in theory and practice, new York, 1998).

3.1stock market

To achieve economic growth, and guarantee sustainability are some of the main goals of economic policy in all countries. It is largely associated with the performance and cost of economic institutions that are the nucleus of the national economy. To expand its activities requires provision of necessary financial resources. This is done only through provision of those resources, whether through its own resources which is known as the self-financing or financing its investments through the banking system which is known as indirect funding

Direct financing is a mechanism that allows organizations to obtain financial resources from the public whether individuals or other institutions directly through the stock market which plays an important role in the financing of economic projects in most countries.

To find out the nature of effective tool in the economy of any country we decided to discuss it through the following:

1. The concept of stock market

Stock concept is linked to what it provides in terms of capital for producing goods and services for the economy. The spread of corporations and Governments acceptance of borrowing has an impact in creating a powerful movement to deal in securities, which led to the emergence and development of securities markets.

Economists refer to stock market with different names. Very often, they call it Borse.

This is the popular term for most researchers, while some call it the capital market, and this label is not exhaustive as they differentiate between the capital market dealing with paper money and medium and long term, and the monetary market that deals deal with short-term securities.

While some call it the stock market but this label is narrow because it does not include the novel securities, but limited to traditional securities. From the above we can say that the stock market is an integral part of the capital market. This leads to the necessity of understanding what money market is and its components before turning to the concept of the stock market.

2. Financial market concept

Usually this is understood as money market if made without specifying any stock market stocks and bonds, and that is the narrow concept of money marketcalled Borse. There is another concept, which includes institutions that handle long-term lending only. (Alex Hanafi, 2001).

The financial market is where the contracts and financial transactions and transfers are executed, and the subject of these operations is long-term capital trading. Sources of these funds may be domestic or foreign for the market (Jamal, 2012: p 28). The basic assumptions of the financial market is that all Negotiable financial operations in all major currencies are traded internationally.

3. Financial market types

Many subdivisions have been adopted to distinguish between types of financial markets. Notably, the basic classification is that based on the existence of basic types of financial markets:

Primary market (issuing market): is the market where securities are traded when released. Under this type of markets, new securities that were released for the first time through general subscription are traded either by issuing equity when establishing or by forming companies.

Secondary market (trading): are the markets where previously issued securities are traded in the primary market. Securities are traded in either the stock exchange, which is a regulated market for trading stocks and bonds, or outside the stock exchange through specialized intermediaries like banks and brokers and bankers. In this area there are some researchers who distinguish between several types of secondary markets:-regulated markets: featuring a specific location at which traders buy or sell securities registered in that market (usually in stock) and is also of two types:

Type 1: **central markets:**

central market means the market that deals in securities registered with the Securities and Exchange Commission, irrespective of the geographical location of origin or the issuing organization. Examples of such markets is London Stock Exchange and the Tokyo Stock Exchange New York, which is the largest stock market in the world, which is sometimes called "the big board' dealing in about 80% of the securities registered with the Securities and Exchange Commission in the United States. (Jamal, 2012).

Type 2: **irregular markets:**

The term irregular market refers to transactions carried out outside the stock exchange, which is called 'on the table transactions' managed by brokerage houses scattered throughout the country. there is no place to conduct transactions which take place through powerful communication network enabling the investor to contact brokers and traders involved, chooses from among them who offers him the best price

Third market

represents the segment of the market, which consists of Beirut brokerage houses that are non-members in the regulated markets, although they have the right to deal in securities listed in those markets. These houses actually are continuous markets and always ready to buy or sell securities in any amount regardless of the size of the market. Moreover, obviously these houses play a competitive role for specialized members of the regular markets. The majority of scholars in this market are either large institutional investors such as large pension funds and large investment accounts, such as large pension funds and funds managed by trusted commercial banks. In addition to small brokerage houses that do not have representatives in the organized markets, therefore the only way to deal in these securities traded in the market is through large brokerage houses working in the third market.

The fourth market

fourth market refers to large institutional investors and wealthy individuals who deal in buying and selling securities in large orders as an additional strategy, to reduce the commissions paid to brokers. A strong network of contacts helps this. Here the mediator keeps a stock of traded securities and so there are no risks involved and he is not asked for advice on securities that the investor must put money in. This definition of financial market indicates the existence of two types of markets:

First: the cash market

1. Definition of cash market: It is short-and medium-term capital (); so it is the mechanism by which short-term capital is traded. In a market, the supply and demand for lending funds is for less than a year, the supply is generated by all who would utilize their savings by giving up the benefits of their money for a short period in Exchange for its return. The demand is formed by all those interested in cash benefits of others for a short period in return for payment of interest (Mubarak, and Younis, 2003)

2. Structure of money market: money market consists of two markets depending on the type of operations carried out in all of them:

a- discount market. Short-term credit tools are discounted, including: regular commercial paper (bills of Exchange and promissory notes), bank acceptances, and Treasury permits.

b- Short term loans market: short loans ranging from one week to one year. (Al Shinawi and the blessed, 2002)

Second: capital market:

capital market means that kind of financial markets that care for medium and long-term finance required configuring, creating both public and private companies to start operating, production, and forming a financial surplus for investment, whether this funding is borrowing directly from banks and financial institutions, or through capital market to find two sections:

Section 1: medium and long-term loans market: is a market whose operations are completed by means other than the securities (direct lending market), and controls transactions of banking and non-banking financial institutions, and in particular banks.

Section II: stock market: is a market for trading in securities, stocks and corporate bonds, as well as negotiable Government securities on the stock exchange through intermediaries, forming one of the channels where money flows from individuals and institutions and various sectors of society helping to develop savings and promote investment for the good of the economy. Dealers are governed by certain legislation and regulations run by an authority, which oversees the implementation of regulations and legislation. Prices are determined according to the requirements of supply and demand (Iqbal, 2006).

4. financial investment risks and ways to predict and measure them

Investors in stock market seek to ensure a satisfactory return within the minimum compensation for risks as a result of that investment, and in fact one can't imagine having an investment that is protected from risks, and also securities investment. In addition investing in stocks exposes investors to several risks which make it difficult for an investor to determine with precision the rate of return on an Investment in a world characterized by uncertainties. In a world like this, it is difficult or even impossible for an investor to determine precisely the size of the expected yield. However, he can measure the risk associated with investing in stock by putting the probability distribution for this return, any estimate of the number Possibilities, and the weight of each possible value of expected return in his shadow.

a- Definition and classification of risks:

risk is the possibility that the results of forecasts are wrong, if there is a high probability of wrong forecasts, then the risks will also be high but if the probability is low, the risk will be low too "(Husseini, 2000).

b- Risk classification: risks are classified into systematic and non-systematic as follows:

- Systemic risks

Known as the risks related to the system itself, and that includes all revenue and profit impact on securities that are being traded on the stock exchange. Those risks usually occur when big events affect the entire market such as wars or some internal events, or a change in the Political system and there is no policy to protect against risks arising from those events. However, the investor must know in advance the potential of stock being affected by those risks (Lutfi, 2006).

- Non-systematic risks:

risks arising from factors relating to a specific company or a specific sector, independent from factors influencing economic activity as a whole. The investor can protect himself from such risk through diversification of its investments by investing in various types of securities, which cannot be affected by such disparate risks at the same time, known as the diversification of investment risks (Ramadan, 2002). The risks that may occur to a company are:

- Workers ' strike in that company or the sector to which it belongs.
- Administrative errors in that company.
- Emergence of new inventions for the production company.
- Advertising campaigns of competitors.
- Change in consumer tastes for goods from this company.
- Emergence of new laws affecting that company.

It should be noted that the total systemic and non-systemic risks, express the total variance in the rate of return on investment in securities.

- **Euity related risks:**

The investor must know the risks associated with different types of investments. These are important steps in this area. Some of the risks associated with investing in stock are market risks, industry, administration, insolvency, operational advantage. Noting that these risks could affect bonds too, but are less pronounced and less deep.

1. Market risks: market risks point to the general move in the price of securities, where these prices move together in response to external events. When the stock market moves up or down, we find that most stock prices are heading in the same direction as the market, so the investor cannot do anything to avoid this short-term fluctuation in stock prices associated with these events. The most important market risks are those risks arising from the investment of funds in the short-term stock market. If a need for money invested occurred when there were a deterioration in stock market, the investor would have to sell at a loss, which means the investor needs a longer time span so he does not have to sell if the stock market deteriorated

2. Management risks: means most mistakes by managers or company mismanagement as these blunders affect the company and its future path. Some errors by companies' management resulted in heavy losses, and drove many of them into bankruptcy. On the other hand, the vigilance of management and intervention in time in the face of problems and exploiting favorable circumstances, the work of the department as a harmonious team in achieving the goals and objectives of the company will undoubtedly have a positive effect on its material return and therefore positively affect the stock price (alhodery, 2000).

3. Industry risks: all establishments operating in one industry or a few industries are subject to yield variability because of a certain strength, that does not affect the majority of enterprises outside that industry, and this force is called the industry risk.

These risks arise from the conditions pertaining to the industry, such as having difficulty in providing primary raw materials for industry, and continuing differences between workers and factory management, as well as effects of government regulations on pollution control and the effects of foreign competition on the domestic industry. There are also "effects represented by the constant changes in tastes and preferences of consumers in developed economies, as well as the effects pertaining to the emergence of new products, or new technology.

4.Business risks: these refer to the degree of volatility or fluctuation in operational revenue for establishments where stocks are invested, which is reflected on the amount of expected return expected by the investor. Business risks arise because of the nature of operational performance, and variations in this performance, operational environment that are a reflection of a combination of factors caused by administrative policies, economic conditions and changes in consumers demand and changing conditions of competition which all contribute to the fluctuation of operational revenue. Business risks are derived from the sector where the company belongs.

5.Operational and financial leverage risk: operational and financial leverage is associated with an established cost structure that is to say by the relative weight of operational fixed costs to total costs and on this basis the higher the degree of operating leverage, the higher the relative weight of fixed costs in the cost structure. Risks of operational leverage are measured by dividing the fixed costs of the company by its variable costs. When the value of the operational leverage increases, the differences or variation of the stock return becomes higher.

This means that any slight decrease in turnover leads to a significant reduction in operational profit and operating leverage is calculated through the following equation:

Operation all ever age = change in operational profit / change in sales.

Financial Leverage risk occurs because of the company using funds with fixed burdens such as loans, bonds and preferred stock, the main reason being increasing profits available to ordinary shareholders.

The risk lies in this case when the operating profit becomes less than the cost of funding, leading to a decline in profit or converting operating profits to losses, financial leverage can be calculated as follows (alhodery, 2000): financial leverage: change in net profits after taxes/change in profit Operation.

6. Bankruptcy Risk: bankruptcy risks arises from the company's inability to pay its obligations to third parties, as a result of the change in the safety of its financial position when performing an investment proposal, or extending its activities. This may have an effect on the integrity of the financial status of the institution or company, moving away from or closer to the risk of default in payment. It is reflected in the end on the market value of the securities. Bankruptcy risk lies on equities not getting dues only after satisfying their creditors in full, so there may not be enough after liquidation to recover shareholders ' money already invested. In that facility.

- **Risk associated with bonds**

Despite multiple benefits guaranteed to the investor by the process of investing in bonds such as steady return and the degree of safety offered by bonds as securities, a bond investor is exposed to risks that might lead to his loss. The most important risks that investors in Bonds may face are:

1. Interest rate risks: interest rates changes in market according to the impact forces of supply and demand on various financial assets, according to prevailing inflation rates and whether the economy is recovering or in recession. Risks to the investor in bonds occur because of the inverse relationship between Bond prices in the market and market interest rates. Increased market interest rates on other prices encourage investors in bonds to sell their bonds in the market, thus increasing the supply of these assets. With limited demand in market, prices fall sharply according to the relationship between supply and demand. Any change in interest rates will have an impact on long term bond prices as investors may be exposed to big losses if interest rates rise at the time when there is a need to sell. Interest rate risks are measured using the ratio between the assets and the liabilities that are affected by price fluctuations in Interest.

2. Inflation risk: inflation leads to deterioration of purchasing power, insufficient future returns resulting from investing in the acquisition of goods and services obtainable at current prices, any drop in real value of funds, even if the cash value of the investment goes up, that may be a kind of delusion if price levels have risen higher.

This type of risk is great in case of investment in savings accounts or life insurance or bonds or any investment that carries an interest rate. If inflation rose, it brings with it a liability, declining the real value of investment, due to its low current value. This affects stocks less as the risks of purchasing power or inflation are met by a similar increase in the assets of the in stock of the issuing facility.

3. Bond's call risk: some companies issue bonds with call condition, giving them the right to buy back the bonds from holders, after a date specified in the prospectus. The establishment usually does this when there are indicators of the likelihood of lower interest rates in the bond market before the date of Merit. In this case, the establishment buys again those bonds, and replace them with new bonds with lower interest rate. This means that the call involves some risks, as the investor will have to abandon another bond with less yield. This is known as the risk of re-investment. Therefore, in bonds, investors must examine carefully the contract version to ensure that it contains conditions for protection against bond call.

4. Liquidity risks: means the possibility of acting on the financial paper quickly and easily without exposure to the very low price as bonds lack the liquidity property especially if it was for long term. Therefore, the investor is exposed to liquidity risk arising from the decline in the purchasing power of the currency by inflation, where the true value of the bond becomes lower than the nominal specified value.

5. Annual amortization of bonds risks: in many cases, the issue contract provides the company with the right to amortize annually specific proportion of the issue. This contract stipulates the way in which the amortized bonds are determined and issuers exploit the amortization terms provided during the periods when there is a rise in the market price of the bond compared to its nominal value. They amortize a redeemable bond causing great damage to holders depriving them from of capital gains that could have been achieved if they managed to keep these bonds.

So bondholders are advised to study the amortization term in the issue contract carefully, to determine the dimensions of this term, including the way in which the bonds are amortized, and to make sure, if it includes all or part of the issue, or includes a specific category of bonds, or all categories without exception.

6. Due date risk: means that the due date of the bond is long, uncertainty about its future cash flow is greater. In addition, increased uncertainty about future cash flows, the ability to predict the risk on securities due after thirty years, means that the investor must obtain greater revenue to offset the risks of investing in bonds due after a long time.

Section II: field study (Beirut Borse)

2-1 Beirut stock: exchange was founded in the year 1920 by a decree of the High Commissioner and it is the second oldest stock exchange in the region. In its beginnings, it was confined to trading on gold and currency, but it evolved in the first half of the 1930s, to expand trading and included private companies established under the French mandate to operate and administer some services and public sectors, and this is what I consider a privatization at that time. . Some of these financial instruments have been listed in Paris and Beirut Borses.

In the 1950s and 1960s , the growth of stock market flotation with industrial companies and banks trading service, the number of bonds circulated went up to 50, before the Beirut stock exchange dropped during the civil war that shook Lebanon, closing its doors from 1983 year after Civil war to (1996). In the meantime, trading laws and regulations have been updated in 1994, in cooperation with the Paris stock exchange.

The year 2011 witnessed a new stage and a quantum leap in the evolution of financial markets in Lebanon and there habilitation of its infrastructure through the Lebanese Parliament passing a new law on financial markets, which led to the establishment of the financial markets authority. The authority aimed at regulating the activities of financial markets in Lebanon and its supervision and control. In addition to finding the appropriate legal framework to achieve two things:

First: the promotion and development of the Lebanese financial markets.

Second: protecting investors from fraudulent activities.

The new law aims to create a financial market Court to rule on financial matters, restructuring the Beirut stock exchange and regulation of transfer to the private sector.

The financial markets authority has concluded since its inception memorandums of understanding and agreements for cooperation and coordination with a number of financial institutions in the world. The Lebanese financial markets authority also joined in the year 2016 for capital market body's international organization as an associate member. Lebanon Bank established in June 1994, the stock company(Medclear) in order to ensure the effectiveness of operations in the Lebanese financial market and to ensure guarantees for members and traders and investors and is the centre for deposits, settlement, clearing of deposits and financial instruments in Lebanon and the Middle East. Medclear entered into a tripartite settlement agreement in 1996 with Lebanon and Egypt and Kuwait and in 1997 itstarted to deal with Euro clear and Clear stream.

During 1999, Medclear became by law 139/1999 the central depository. it is a company towards which the Lebanese Lebanon Bank contributes. It has the exclusive role of the central depository of securities and financial instruments listed on the organized financial markets in Lebanon and the settlement and clearing operations among them.

Note that the activation of the capital markets in Lebanon was in the interest of the private sector, and will provide more jobs, directly or indirectly, helps to reduce the indebtedness of the private sector through issuing shares. It also helps to improve distribution of its debt by issuing bonds leading to better scheduling for Debts. Hence, both financial institutions and brokerage institutions, banks working in this area, play an important role.

Financial markets authority oversees this sector, along with its mission to secure an environment conducive to financial markets in Lebanon. It seeks to find opportunities for funds and companies and to subscribe in these markets if it wanted to, and encourage the involvement of Arab exchanges with each other and unify clearing.

Lebanon has therefore become committed to international standards in order to remain involved in financial globalization. Laws were passedruling that nominal shares remain in Lebanon and bearer are not permitted to have shares.

Lebanon has contributed in the preparation of courses to promote corporate governance and transparency in data, especially companies that are included in the Lebanese organized markets. Assuming that the capital markets in Lebanon are promising due to available liquidity and free transfer, despite laws in Lebanon. The laws do not allow non-Lebanese to finance in excess of 50% of the value of the shares of any stock company.

One of the most important elements of successes the human factor, robust, and well trained. Lebanon has issued circulars on training and rehabilitation for those who wish to work in stock through exams custom tailored so that the market operators have the desired level.

The financial markets authority did the necessary preparations and licensing for electronic digital trading market involving banks and financial institutions, with Medclearto oversee the settlement and clearing.

Trading includes all tools, even gold and currencies except the Lebanese Lira, involving banks and financial institutions and brokerage institutions, and because it is electronic, it could communicate with the outside, through which Lebanese investments abroad can be attracted. This will contribute to the capitalization of Lebanese institutions, so that it does not keep all its funding based on debt, thus reducing the heavy indebtedness of enterprises, debt service, and allocate more capital for investment and enterprise development.

This platform can be managed from the Beirut stock exchange if the Government privatizes the Bourse, based on what the law says. It is complementary to the Beirut stock exchange as this platform is designed to provide liquidity to small and medium-sized enterprises and finding the right way for emerging companies that chose to be sold to the public.

In May 2017, Beirut stock exchange movement improved slightly and traded shares reached 8915465 worth 78.7 million dollars compared to 7527126 shares traded, worth a total of $49.8 million last September (22970630 shares worth 169.8 million dollars in October 2016). The value of market capitalization decreased to 11273 million dollars versus 11356 million (11866 million dollars) at the end of three periods respectively.

In October 2017, Solider company acquired through its parts "a" and "b" 84.5% of the total value of shares traded in the Beirut Bourse, followed by the banking sector at 14.9% and industrial sector at 0.6% only. When comparing the Bourse movement in the first five months of the past 2016 and 2017, the following appears:

Low number of shares traded from 96.3 million shares to 68.5 million.

Low value traded of 801.2 million to $592.6 million.

Among the factors that led to reduced trading volume in the Beirut stock exchange are:

-Syrian crisis and its negative repercussions on all levels.

Lebanon relations with Gulf States which adversely affected by the past.

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2.2 Beirut stock exchange status and risks of securities trading

The official Beirut stock exchange seems to be in a state of clinical death as it lacks a genuine chair, the interest of investors and suffers from a weak economy and a deterioration both politically and in its domestic and regional security alike. The Beirut stock exchange is currently facing the worst stages in its ancient and modern history. It appears that it does not have the necessary internal structure, the financial capabilities, or even the human resources to save itself from her surroundings near and far. It still lacks a genuine chair and has failed since its relaunch in 1996 to attract a sufficient number of companies and banks to be listed on the official trading.

Despite the excellent quality of companies and banks whose stock is listed, the Borse performance remains weak. Neither the size of the giant Solider company and its local, regional and international image, nor the power of the big banks such as Awda Bank, the Bank of bloom and Byblos Bank and the Bank of Beirut and others managed to give the stock market sufficient push for a reasonable activity.

Volume of Stock Trading in this Borse has fallen dramatically and dangerously after the explosion of Ruwais in the southern suburbs of Beirut and ranges daily between 8000 and 20000 shares.

And there's the Solider shares, which multiple and consecutive studies and analyses emphasized that prices should range from about $33 level, It is however teetering on the edge of the cliff near the level of $11, which could go down at any moment. This could happen in the midst of a wave of capital flight from emerging markets and that began and flourished after confirmation of the US Federal Reserve that going to back down on its policy of economic motivation.

Despite the dependence of Lebanon mainly on the tourism sector, the stock has not seen any inclusion of any tourist company thus; one of the largest economic sectors in the country is missing. Can this stock market hold out until Lebanon enters the time of oil and gas production and the privatization of cellular, or the political conditions that convulse the Middle East would keep it the stasis it has been lurking in for a while?

2.3 Lebanese stock 10/7/2018

Yesterday trading volume in official Beirut stock exchange was around twenty thousand shares worth about $284, 000. Price trend was mostly dropping with three declining stocks versus the stability of three other stocks, and an increase of one share.

Soldier's shares were the worst performing stock. The price of shares category (a) 0.7% declined yesterday to 11.22 dollars, and class (b) shares increased by 0.35 percent to 11.12 dollars. Bloom Bank regular shares at 0.24 percent to 8.25 dollars. Equity settled as follows: Al Awda regular Bank at $6.15, and bank stocks category (H) for $100.

As for Beirut Bank regular shares Beirut it rose yesterday by 0.26 percent to $19. At the close of trading yesterday, the stock's market value fell by 0.13 percent to 10.443 billion dollars.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

The findings of the study are represented in the following important points:

1. The current stock market is a capital tool very often intended to steal vulnerable investors, through the adoption of illegal and unethical methods, trapping them into a circle of crisis.
2. The current stock market in many countries of the world is a large lounge for gambling which it legitimized by the practice, and gave it several names; most notably short selling and margin purchases and peremptory operations and dealing by the indicator.
1. All this has had a big impact in leading many dealers into the circle of crisis due to the loss of much of their primary asset.
2. The current capitalist system which created RIBA derivatives financial system (or what is known as the debt securitization system) through transferring usurious bank debts by encumbered real estate to bonds, traded in the stock exchange. The main reason in the current global crisis, that set off in the United States, and spread on the globe, had settled recently in the Emirate of Dubai (Dubai World); and did not recover to date. Currently it settled in Greece, where its politicians are seeking a resolution of their problem from the European Union.
3. The current stock market is not the appropriate instrument for achieving economic development first and therefore economic growth, especially in third world countries, including Lebanon, and it is a tool for generating economic crises.
4. We cannot say that Beirut stock exchange is financial market but it is still in early development and growth.

B. RECOMMENDATIONS

The study recommends that competent authorities responsible for legislation on the stock market in the Arab world and Lebanon need to enact a legislature, which addresses the protection of the interests of small and medium-sized investors from the risks of trading in securities and the loss of their savings.

1. It also recommends the need for regulatory bodies operating within the stock exchange to activate its supervisory activity in fighting contract procedure leading to a crisis that aims at disrupting that market and is used for the benefit of its creator. Examples of these contracts are Sham contracts, purchase contracts with a view to Monopoly, and stock price manipulation protocols.
2. It Recommends the need to regulate brokers operating within the stock market and urges adherence to ethical values needed by the nature of their work, such as truthfulness, honesty, fidelity. They have to transfer what is going on within the market to their customers with honesty, and through implementation of what they were assigned with during the sale and purchase operations Associated with the stock
3. It recommend that stock investors explore the current mechanisms adopted in the capital markets, adopting what is consistent with established regulations and laws with integrity and honesty and not adopting illicit speculation.
4. It recommends that People with Influential opinion in the functioning of financial markets from politicians and economists, accountants and journalists, avoid raising false rumors or news aimed at employing them financially for the benefit of

instigators inside the stock, due to its great sensitivity on the stock market performance of leading some to enter the circle of crises.

5. It recommend speeding up the privatization of Beirut Borse and open up opportunity before most of the Lebanese stock companies to enter the Borse and register securities for trading on the Borse campus

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