

Business Standard

BSE is the story of all stock exchanges and how to make money efficiently

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Devina Mehra | July 09 2025

I could start this column with the history of the BSE (formerly Bombay Stock Exchange) that started under a banyan tree — what is now Horniman Circle — more than 150 years ago. That makes it the oldest stock exchange in Asia and among the 10 oldest in the world.

Or I could start with my own personal journey where the BSE card — as its membership was then called — became the very first step on my entrepreneurial journey more than three decades ago.

Interestingly, back then, corporate membership of the BSE was not allowed. Only proprietorships or partnerships could become members under the principle that the broker had to have unlimited liability. So, the BSE membership was in the name of M/s Devina Mehra.

Trading used to be carried out in a seemingly mad house of what was rather appropriately called the trading ring. There were shouts and shoves, aggressive gestures, secret hand codes and pen marks on everyone's clothes. Yet, somehow in what looked like mayhem and chaos, the buys and sells were carried out, with both parties noting the trade down in their exchange-issued notebooks called blocks. Invariably, at the end of the settlement period there used to be what were called vandas (most of the terms used in the exchange were Gujarati words and phrases) i.e. trade mismatches. The wonder is not that there were vandas, the wonder is how most of the trades actually matched off!

But really the story of BSE is also the story of how and what stock exchanges are.

The remarkable part? Just as human nature has remained largely unchanged over the past few thousand years, the fundamental functions and impact of stock exchanges have also remained relatively consistent since the first modern stock exchange was established in Amsterdam in the 17th century.

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Here is what writer John Brooks had to say about stock exchanges in his book 'Business Adventures':

"Apart from the economic advantages and disadvantages of stock exchanges — the advantage that they provide a free flow of capital to finance industrial expansion, for instance, and the disadvantage that they provide an all too convenient way for the unlucky, the imprudent, and the gullible to lose their money — their development has created a whole pattern of social behaviour, complete with customs, language, and predictable responses to given events."

The patterns emerged surprisingly quickly, starting with superficial explanations for daily market movements.

Joseph de la Vega, a Jewish merchant of Amsterdam, wrote a book called 'Confusion of Confusions' (later translated by Harvard) about stock market operations in 17th century Amsterdam.

Remarkably, he described the whole gamut of instruments, running from options (puts and calls), futures contracts, margin buying, to bull and bear conspiracies, even some form of stock-index trading. He famously characterised the stock exchange as "this enigmatic business which is at once fairest and most deceitful in Europe, the noblest and the most infamous in the world, the finest and the most vulgar on earth. It is a quintessence of academic learning and a paragon of fraudulence; it is a touchstone for the intelligent and a tombstone for the audacious, a treasury of usefulness and a source of disaster, and finally a counterpart of Sisyphus who never rests as also of Ixion who is chained to a wheel that turns perpetually."

Here are de la Vega's rules of speculation:

The first rule: Never advise anyone to buy or sell shares.

The second: Accept both your profits and regrets. It is best to seize what comes to hand when it comes, and not expect that your good fortune and the favourable circumstances will last.

The third: Profit in the share market is goblin treasure: at one moment, it is carbuncles, the next it is coal; one moment diamonds, and the next pebbles.

The fourth: He who wishes to become rich from this game must have both money and patience.

The basic rules don't seem to have changed in three-and-half centuries since this was written, have they? Or the one-and-half century since the BSE officially came into being.

Interestingly, Premchand Roychand the founder of BSE (and the builder of Rajabai Clock Tower), himself went through multiple boom and bust cycles (remember the Goblin treasure of the third rule).

But as de la Vega writes: It is foolish to think that you can withdraw from the exchange after you have tasted the sweetness of honey.

Happy sesquicentennial BSE! May you continue to spread the honey.

The author is chairperson, managing director and founder of First Global, an Indian and global asset management company, and author of 'Money, Myths and Mantras: The Ultimate Investment Guide'