



# Finance

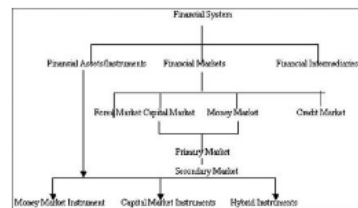


Vol XCIII, No. 13

Tuesday, May 5, 2015

\$3.75

## Financial system and financial market



### 4 main components of financial system

- To do capital flow, the key role is the monetary and financial institutions
- They are involved in the process of the money and financial instruments and capital flow in the capital market
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### How do financial market and stock exchange differ?

A financial market refers to any place where a good and value purchase in the trade of assets, such as equities, bonds, currencies, and commodities. Financial market includes the flow of funds in order to finance investments by corporations, governments and individuals.

An exchange of finance is a highly regulated market where (generally) trade in securities, commodities, foreign exchange, futures, and options contracts are sold and bought.

### Main function of financial market

Financial market gives strength to economy by making finance available at the right place



### What characterizes a market in the financial framework?

- The type of assets/financial products exchanged
- The overall term of the market, short-term, medium-term or long-term
- The participants of the market

#### The financial world of a financial market?



Electronic trading system, 2011

### Who are the actors of the stock exchange?

- Dealers
- Buy/Sell securities on their own accounts
- Risk their own funds
- Make market in securities
- Finance securities transactions
- Market makers for individual listed securities
- Brokers
- Buy/Sell securities for a customer's account
- Execute incoming buy/sell orders
- Commission fee



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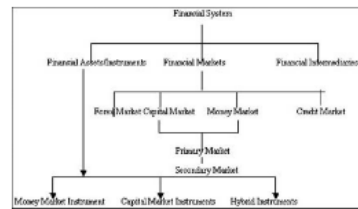


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Electronic trading system, 2011

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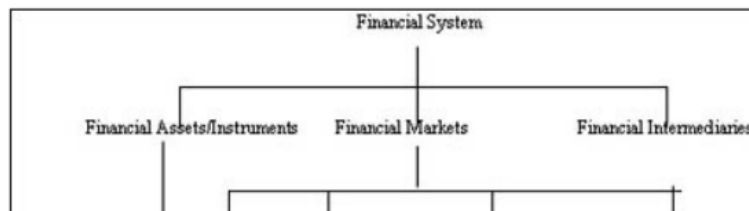
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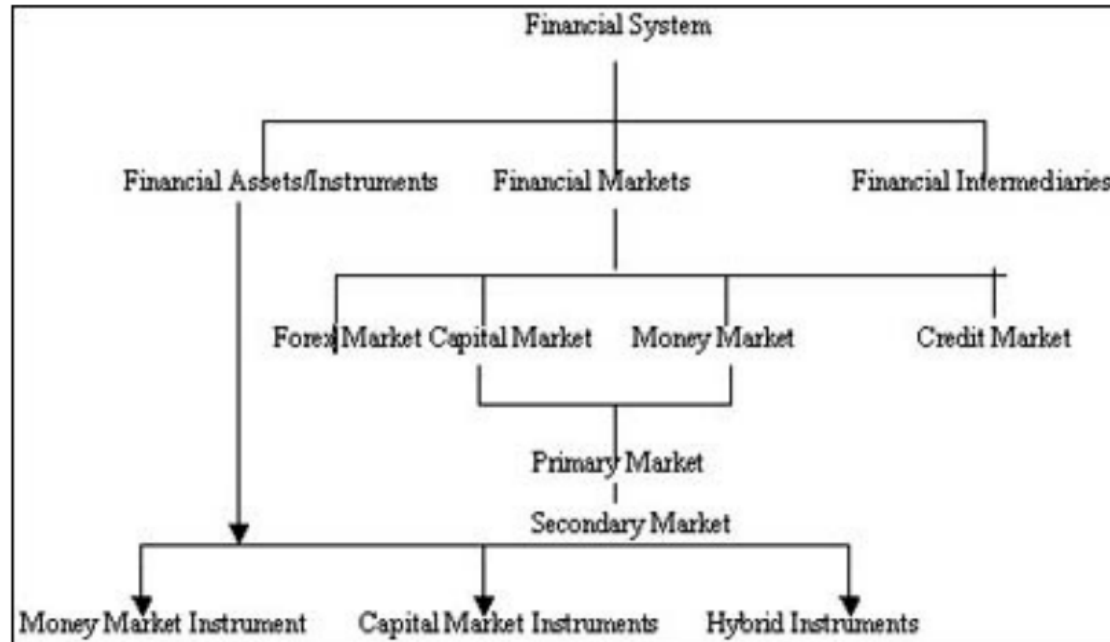
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**What does the financial market refer to?**

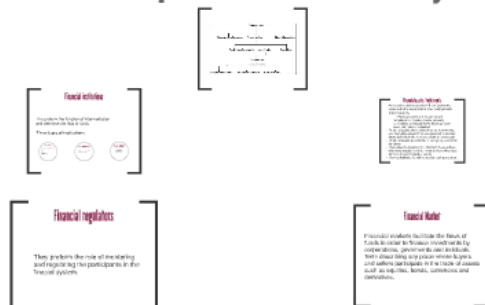
What characterizes a market in the financial framework?

# Financial system and financial market



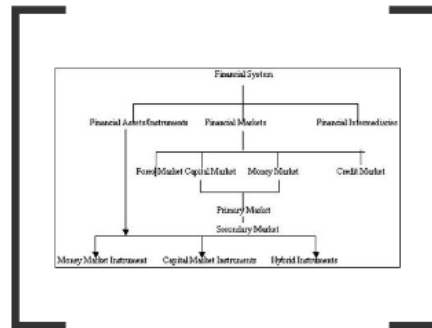
## 4 main components of financial system

- Financial system plays the key role in the economy by stimulating economic growth, influencing economic performance of the actors, and affecting economic welfare
- It makes it possible for a more efficient transfer of funds
- To overcome the information asymmetry problem, the financial system facilitates balance between those with funds to invest and those needing funds



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# 4 main components of financial system



## Financial institutions

They perform the function of intermediation and determine the flow of funds

Three types of institutions



## Financial assets / instruments

An asset is any resource with an economic value with the expectation that it will provide future benefits

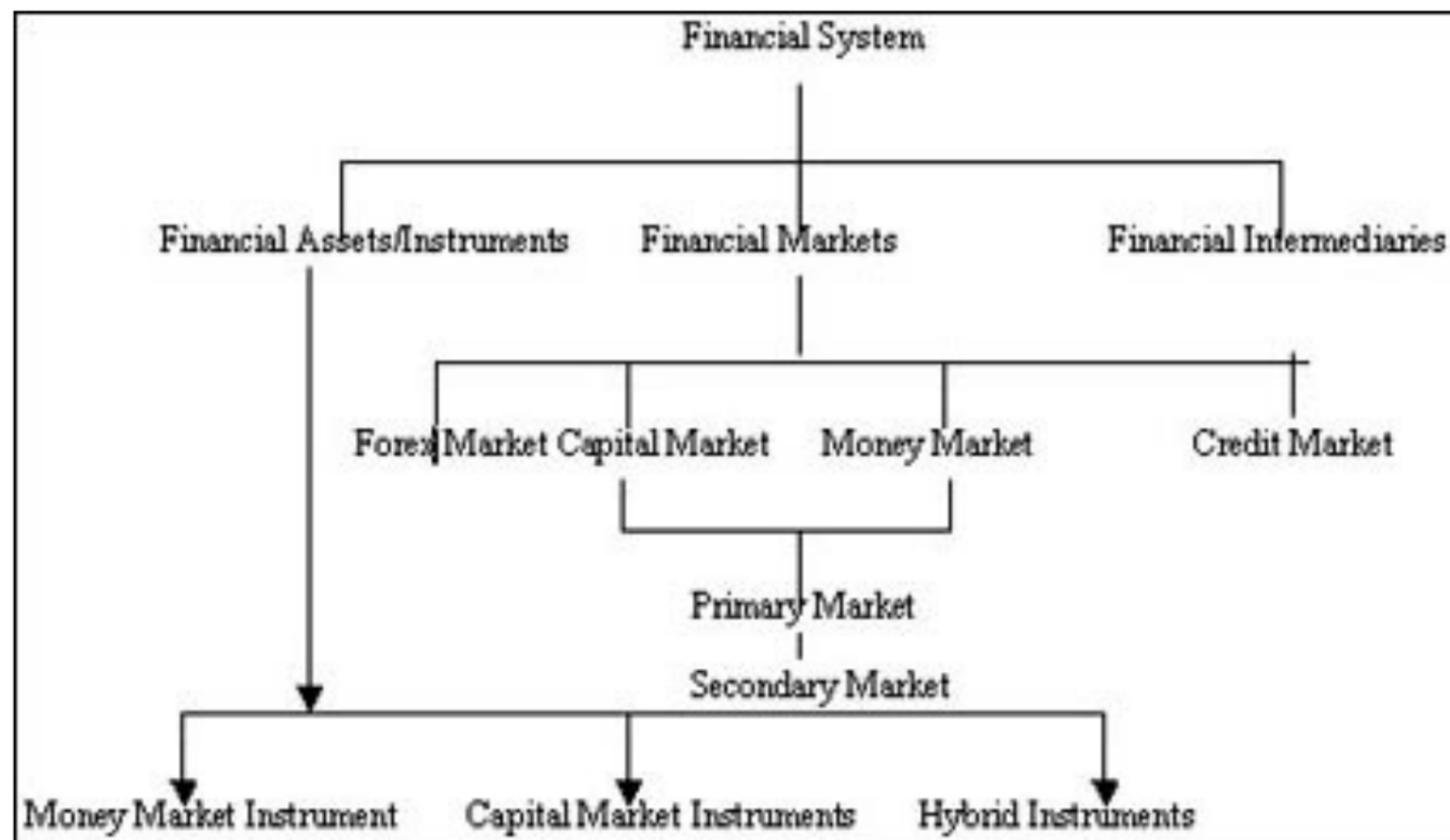
- Physical assets are those that are tangible which include house, property, collectibles, physically items that may be seen, felt, held, or collected.
- Financial assets often called financial instruments, are intangible assets. They are expected to provide future benefits in the form of a claim to future cash
- Financial assets provide the following key economic functions:
  - They allow the transfer of funds from those entities, who have surplus funds to invest to those who need funds to invest in tangible assets
  - They redistribute the risk related to cash generation.

## Financial regulators

They perform the role of monitoring and regulating the participants in the financial system.

## Financial Market

Financial markets facilitate the flows of funds in order to finance investments by corporations, governments and individuals. Term describing any place where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives.



# Financial institutions

The perform the function of intermediation and determine the flow of funds

## Three types of institutions

### Depository institutions

Deposit-taking institutions that accept and manage deposits and make loans

- banks,
- building societies
- credit unions
- trust companies

### Contractual institutions

- Insurance companies
- Pension funds

### Investment Institutions

- Investment banks
- Underwriters
- Brokrage firms