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STRUCTURE OF FINANCIAL MARKET, ITS INSTITUTIONAL ELEMENTS (INSTRUMENTS)

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Article history:	Abstract:
Received: March 1st 2023 **Accepted:** April 3rd 2023 **Published:** May 10th 2023	The article considers the segmentation of the financial market, its institutional instruments, the division into separate segments by types of tools and services, and their interaction with each other. And also describe in detail the types of market that includes the financial market.

Keywords: financial market, capital market, currency market, stock market, securities, shares, bonds, primary financial instruments, secondary financial instruments

To date, there are various approaches to the classification of financial markets, depending on the objectives of the analysis and on the characteristics of the development of individual segments of the financial market.

It is generally accepted that the structure of the financial market is the interaction of such markets as the foreign exchange market, the gold market, the capital market (the loan capital market and the equity securities market) and the money market.

At the same time, the most significant division of the financial market is the division into separate segments by types of instruments and services. From this point of view, Professor Kovaleva A.M. subdivides the financial market into the credit market, the securities market, the currency market and the gold market (precious metals market). According to the period of circulation of financial instruments, the author distinguishes the money market and the capital market. And Kovaleva A.M. notes that, comparing the classification of financial markets by types of financial instruments and the terms of their circulation, it is necessary to know that all these types of markets: credit, stock, currency and gold markets are at the same time components of both the money market and the capital market.

The authors of the book "Finance and Credit" Perekrestova L.V. and Romanovsky M.V. distinguish the same types of financial market as Kovaleva A.M. The only difference is that in the interpretation of Perekrestova L.V. the credit market in the classification is called monetary - credit [17]

Kovalev V.V. reflected the classification of financial markets as follows:

In his opinion, the foreign exchange market is a system of economic relations between commercial banks, as well as between banks and their clients regarding the purchase and sale of currency values.

Along with this, he also defined the gold market, noting that this is a sphere of economic relations related to the purchase and sale of gold in order to accumulate and replenish the country's gold reserves, organize business, industrial consumption, etc. And the loan capital market is a set of financial markets in which capital is redistributed between lenders and borrowers through intermediaries based on supply and demand for capital.

The capital market is a part of the financial market in which long money is circulating, that is, funds with a maturity of more than a year. In the capital market, there is a redistribution of free capital and their investment in various profitable financial assets.

The stock market is a global financial and economic instrument, the main function of which is to regulate the circulation of securities by buying, selling, exchanging or pledging.

Another most common division of financial markets into money and capital markets is the division based on the maturity of the respective financial instruments. In the practice of developed countries, it is considered that if the instrument is valid for less than a year, then this is a money market instrument. Long-term instruments (more than five years) belong to the capital market. Money market instruments are mainly used to provide liquid funds for the current activities of business entities. Capital market instruments are associated with the process of savings and long-term investments.

So, in the money market, the main instruments are treasury bills, banker's acceptances and bank certificates of deposit; in the capital market - long-term bonds, stocks and long-term loans.

The capital market, in turn, is divided into the loan capital market and the equity securities market. This division expresses the nature of the relationship between buyers of goods (financial instruments) sold on this market and issuers of financial instruments. If equity securities act as a financial instrument, then these relations are in the nature of ownership relations, in other cases these are credit relations.

In addition, depending on the volume and nature of transactions, financial markets are divided into:

- National;
- Local;
- Regional;
- International (world).

The approach to the financial market as a socio-economic institution allows us to define the objects and subjects of the financial market, the system of relationships between them, trace their direct and feedback, the role of transaction costs arising from the exchange of financial assets, taking into account formal and informal restrictions. Within the framework of the socio-economic institution of the financial market, the following structure-forming elements can be distinguished:

- objects - financial, informational, intellectual
resources, their regulatory and technical support;

- entities (associated entities) – households, private entrepreneurs, organizations of all forms of ownership;

- institutional entities - the state and financial intermediaries, which are the bearer of certain specific norms and rules as a result of coordination of interactions of individuals within the framework of existing formal financial institutions, imposing economic restrictions on the behavior of the interacting parties [3].

It is important to note that the institutionalization of the activities of financial intermediaries is based on the interaction of economic entities, institutional structures and state regulatory bodies on the principles of cooperation and constructive dialogue.

Of course, when carrying out operations in the financial market, the company chooses the appropriate financial instruments for their implementation.

Financial instruments are a variety of circulating financial documents that have a monetary value, with the help of which operations are carried out in the financial market.

B At the same time, according to the types of financial markets, the following instruments serving them are distinguished:

– Credit market instruments.
– Stock market instruments.
– Currency market instruments.
– Instruments of the insurance market.
– Market of gold (silver, platinum).

In addition, the following types of financial instruments are distinguished by priority significance:

– primary financial instruments (financial instruments of the first order). Such financial instruments (as a rule, securities) are characterized by their release into circulation by the primary issuer and confirm direct property rights or credit relations (shares, bonds, checks, bills, etc.)

– secondary financial instruments or derivatives (financial instruments of the second order) characterize exclusively securities that confirm the right or obligation of their owner to buy or sell circulating primary securities, currency, commodities or intangible assets on predetermined conditions in the future period.

In general terms, secondary financial instruments are used for speculative financial transactions and price risk insurance ("hedging"). Depending on the composition of the primary financial instruments or the assets in respect of which they were issued, derivatives are divided into shares, currencies, insurance, commodities, etc. The main types of derivatives are options, swaps, futures and forward contracts.

The main financial instruments of the credit market are:

– – monetary assets that constitute the main object of credit relations between the lender and the borrower;

– - checks representing a monetary document of the established form containing an order from the owner of a current account in a bank (or other credit and financial institution) to pay, upon presentation, the amount of money indicated in it;

– - letters of credit, which are a monetary obligation of a commercial bank, issued by it on behalf of the client - the buyer, to settle in favor of the buyer or another commercial bank within the amount specified in it against the specified documents;

– - bills of exchange, which represent an unconditional monetary obligation of the debtor (drawer) to pay a certain amount of money to the owner of the bill (bill holder) after the due date indicated in it;

– – collateral documents. They represent a formalized debt obligation that secures a received financial or commercial loan in the form of collateral or mortgage. If the borrower violates the terms of the loan agreement, the owner of this debt obligation has the right to sell them to pay off his debt or receive the property specified in it.

– – other financial instruments of the credit market. These include slogans, bills of lading, etc.

The generally recognized division of securities is considered to be their division into basic and derivatives.

Basic securities - securities confirming property rights to any asset, for example, goods, money, capital, property, resources.

Derivative securities are securities based on a certain price underlying asset.

At the same time, derivative securities certify the right or obligation of the investor to sell or buy a certain amount of the underlying asset at a certain time or at a certain price.

Let us dwell in detail on the types of the main financial instruments of the securities market, which include:

A share is a share issuance security that gives its holder the right to receive part of the profit of the joint-stock company in the form of dividends, to participate in the management of the joint-stock company and to part of the property remaining after its liquidation. Shares are registered, bearer, preferred, ordinary.

A bond is a debt issuance security, certifying the right of its holder to receive from the person who issued the bond, within the period stipulated by it, the nominal value of the bond, as well as to receive a fixed percentage of the nominal value of the bond. Bonds can be issued by the state and various organizations.

Moreover, bonds issued by the state can have different names: treasury bills, treasury bills, notes, certificates

A bill of lading is a document issued by the carrier of the cargo to the cargo owner. Certifies the ownership of the shipped goods. Bill of lading - a document (contract) of a standard (international) form for the carriage of goods, certifying its loading, transportation and the right to receive it.

A certificate of deposit is a non-issue security that certifies the amount of the deposit made to the bank and the rights of the depositor (certificate holder) to receive the deposit amount and interest stipulated in the certificate at the bank that issued the certificate or any branch of this bank after the expiration of the established period.

Check - a document of the established form, containing a written order of the drawer of the check to the bank to pay the holder of the check the amount specified in it.

The check expresses only settlement functions and does not participate in transactions as an independent property. The payer of the check is always a bank or other credit institution licensed to perform such operations.

An option is an emissive security that certifies the right to purchase a certain number of securities of its issuer at a fixed price within the period specified in it.

Futures is an emissive security that certifies an obligation to buy or sell a certain number of securities at a fixed price within the period specified in it.

Forward (forward contract) is an agreement under which one party (the seller) undertakes to transfer the goods (underlying asset) to the other party (the buyer) or fulfill an alternative monetary obligation within a certain period of time, and the buyer undertakes to accept and pay for this underlying asset, and (or) under the terms of which the parties have counter monetary obligations in the amount depending on the value of the indicator of the underlying asset at the time of fulfillment of obligations, in the manner and within the period or within the period established by the agreement.

Futures can be thought of as a standardized version of a forward traded on an organized market with mutual settlements centralized within the exchange.

A bill of exchange is a security certifying an unconditional monetary obligation of the drawer to pay a certain amount of money to the owner of the bill upon maturity.

Swap is a trade and financial exchange operation, in the form of an exchange of various assets, in which the conclusion of a transaction for the purchase (sale) of securities, currencies is accompanied by the conclusion of a counter-transaction, a transaction for the resale (purchase) of the same product after a certain period on the same or other conditions.

The next segment of the financial market is the foreign exchange market. The essence of the foreign exchange market can be considered from an institutional and functional point of view. From an institutional standpoint, the foreign exchange market is a combination of various economic entities that carry out foreign exchange transactions. From a functional point of view, the foreign exchange market is the economic relations that develop between various participants (subjects) in the course of buying and selling foreign currency, international settlements, credit and deposit transactions and other financial transactions denominated in foreign currencies.

The organizational structure of the foreign exchange market is understood as the totality of its participants (buyers, sellers and professional intermediaries). According to the economic essence, the foreign exchange market is understood as the sphere of economic relations associated with the implementation of transactions for the purchase and sale of currency values, as well as the investment of capital in foreign currency.

The object of purchase and sale in the foreign exchange market is the currency and currency values. In a broad sense, the currency is understood as the monetary unit of the country participating in international settlements. Foreign currency is the national currency of any other country.

The subjects of the foreign exchange market include its participants: buyers of currency, sellers of currency, central banks and professional intermediaries.

The next segment of the financial market is the insurance market. Consider the definition of the term "insurance market". The insurance market is a system of organizing monetary relations arising in the process of insurance, purchase and sale of insurance services under the influence of supply and demand for them. The insurance market meets the needs of the economy and its subjects in obtaining financial support in the event of unforeseen adverse events and events.

Insurance and the insurance market in a market economy performs the following specific functions that express the social purpose of this category: risky, preventive, savings, investment, social and control. In addition to specific functions, the insurance market performs some general economic functions: pricing, information, regulation, mediation and sanitation.

The subjects of insurance are professional participants in the insurance market: insurers, insurance intermediaries, adjusters, actuaries, insurance surveyors, and assistance. Insurance intermediaries are an insurance broker, a reinsurance broker and an insurance agent.

The last segment of the financial market to be considered is the gold market, which is currently a difficult

an organized system of relationships between subjects, functioning at different levels of its organization (global, regional, internal) regarding the regular purchase and sale of this precious metal for industrial and domestic consumption, private hoarding, investment, insurance, speculation on the difference in prices, as well as consumption as a currency for international payments.

The functions of the gold market are to ensure international settlements, industrial and domestic consumption, private hoarding, investments, risk insurance and speculative transactions. Participants in the gold market are gold mining companies, the exchange sector, investors, central banks, professional dealers and intermediaries.

The financial market, being a sphere of financial relations, contributes to the development of the economy, the implementation of material and financial balance in terms of the total volume and structure of social production, through which enterprises and industries develop that provide investors with the maximum return on invested capital.

Thus, there are many different classifications of the financial market and instruments circulating in the market. These tools are the link between the assets of corporations and its liabilities. Summarizing all of the above, we come to the conclusion that the financial market is a market in which financial resources and instruments act as a commodity, including loans of various types, stocks, bonds, currency and currency values, insurance products.

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