

COURSE NAME - LL.B 6th sem

SUBJECT - FINANCIAL MARKET REGULATIONS

TOPIC - MEANING AND SEGMENTS OF THE
FINANCIAL MARKET

By :-GURU DUTT
ASSISTANT PROFESSOR
SARASWATI INSTITUTE OF LAW
PALWAL

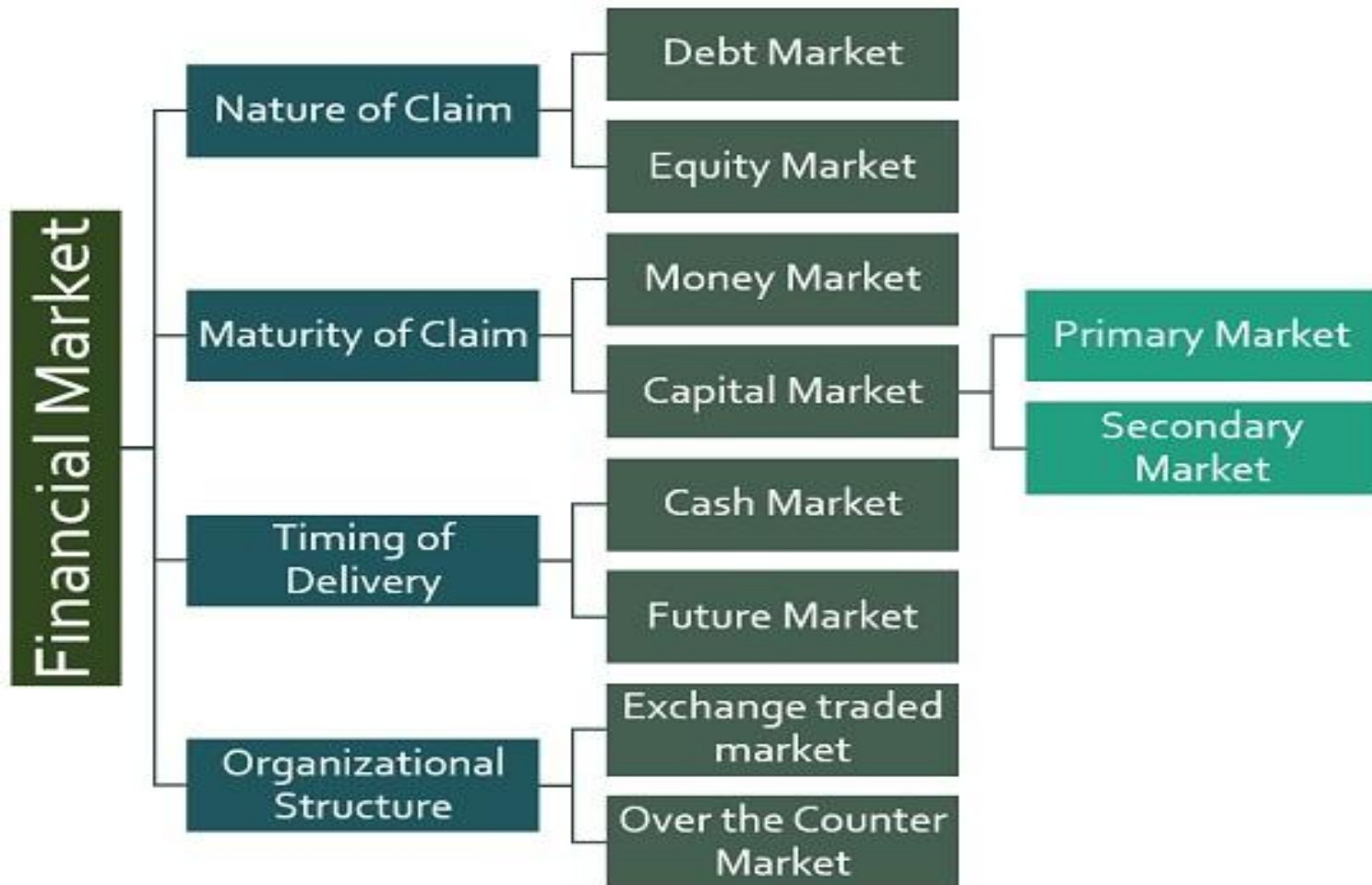
MEANING OF FINANCIAL MARKET

- Financial market refers to a marketplace ,where creation and trading of financial assets, such as shares ,debentures,bonds,derivatives,currencies,etc. take place
- Financial markets are the centers or arrangements that provide facilities for buying and selling of financial claims and services

AIM OF FINANCIAL MARKET



Classification of financial market



FINANCIAL MARKETS

- **By Nature of Claim**

- **Debt Market:** The market where fixed claims or debt instruments, such as debentures or bonds are bought and sold between investors.
- **Equity Market:** Equity market is a market wherein the investors deal in equity instruments. It is the market for residual claims.

- **By Maturity of Claim**

- **Money Market:** The market where monetary assets such as commercial paper, certificate of deposits, treasury bills, etc. which mature within a year, are traded is called money market. It is the market for short-term funds. No such market exist physically; the transactions are performed over a virtual network, i.e. fax, internet or phone.
- **Capital Market:** The market where medium and long term financial assets are traded in the capital market. It is divided into two types:
 - **Primary Market:** A financial market, wherein the company listed on an exchange, for the first time, issues new security or already listed company brings the fresh issue.
 - **Secondary Market:** Alternately known as the Stock market, a secondary market is an organised marketplace, wherein already issued securities are traded between investors, such as individuals, merchant bankers, stockbrokers and mutual funds.

FINANCIAL MARKET

- **By Timing of Delivery**
 - **Cash Market:** The market where the transaction between buyers and sellers are settled in real-time.
 - **Futures Market:** Futures market is one where the delivery or settlement of commodities takes place at a future specified date.
- **By Organizational Structure**
 - **Exchange-Traded Market:** A financial market, which has a centralised organisation with the standardised procedure.
 - **Over-the-Counter Market:** An OTC is characterised by a decentralised organisation, having customised procedures.
- Since last few years, the role of the financial market has taken a drastic change, due to a number of factors such as low cost of transactions, high liquidity, investor protection, transparency in pricing information, adequate legal procedures for settling disputes, etc.

CHARACTERISTICS OF FINANCIAL MARKETS



Acts as a Link: Financial markets connect the investors to the borrowers and bridge the gap between the two for mutual benefits.

Easy Accessibility: These markets are readily available anytime for both the investors and the borrowers.

Trades in Marketable and Non-Marketable Securities: Financial markets initiate buying and selling of marketable commodities. Some of these are bonds, debentures and shares along with non-marketable securities like bank deposits, post office deposits and other loans and advances.

Trades in Marketable and Non-Marketable Securities: Financial markets initiate buying and selling of marketable commodities. Some of these are bonds, debentures and shares along with non-marketable securities like bank deposits, post office deposits and other loans and advances.

Government Rules and Regulations: The government controls the operations of a financial market in the country by imposing different rules and regulations.

Involves Financial Intermediaries: These markets require [financial intermediaries](#) such as a bank, non-banking financial companies, stock exchanges, [mutual fund](#) companies, insurance companies, brokers, etc. to function.

Deals in Long and Short-Term Investment: For the investors, financial markets provide an opportunity of putting in their funds into various securities or schemes for short or [long-term investing](#) benefits

THANKS