

Overview of Financial Markets

As the name suggests, financial markets is a place where different financial instruments are traded. Their nature of these instruments vary in nature and are made to suit the requirements of different people. The main purpose of financial market is to provide a common ground to people who want to invest and people who want to use this investment for different opportunities. The financial market is not only composed of just buyers and sellers, it is also a place for lenders who want to lend the money and investors who want to invest that money.



The problem is, there is a geographic location distance between these two parties and if we try to connect these two parties in person it can be quite a hard work. There are also other issues like the requirement of lender and borrower like the interest rate, time period, etc. These issues can lead to many problems in closing the transaction that are extremely hard to handle. To take care of all these problems intermediaries are there in the [financial markets](#). They act as a link to take the finance from lenders and provide it to borrowers at specific situations.

There are different types of intermediaries, the difference is based on what kind of services they offer. One thing is common between all types of intermediaries and that is they are never the principal party in any of the transaction, they are just connectors. There are three basic types of intermediaries:

- Deposit-taking intermediaries,
- Supervisory and regulatory intermediaries
- Non-deposit taking intermediaries

The job of Deposit-taking intermediaries is to take deposit from principal. All the deposits they collect are used to give loans to people who are in need of it.

Supervisory and regulatory intermediaries don't actually directly participate in **financial markets** as a party. Their job is to make sure all the transaction being made in the **financial markets** are in accordance with the stationary and regulatory framework. Their only activity enter the transaction when one of the parties make any kind of error and they just solve it according to the regulations.

Non-deposit taking intermediaries only manage transaction on behalf of the client they don't actually act directly in the transaction. They are the agents of the real owners of the funds. They just find different lenders and borrowers who have same needs and try to connect them.

Kinds of Financial Markets

When these securities are issued, the borrower of the amount has to pay some interest on that specific borrowed amount. There are two different markets that regulate these securities according to the duration of it:

- Capital Markets: in these markets the securities are issued on a long-term basis.
- Money Markets: in these [financial markets](#) the money issued for a short-term only.

If someone in need of a big loan for a long time then capital market is best and if they are in need to just a short-term loan for a small job then Money markets will work.