

Special Features of Development of the Present World Financial Market Structure*

OLEH PATSENKO, ELLANA MOLCHANOVA**

ABSTRACT. The article analyzes the different approaches to definition of the world financial market. Basic criterion approaches to the present world financial market structuring have been examined. The own world financial market structure model has been proposed. Current trends in development of the world financial market have been revealed in the perspective of its geographical, functional, monetary and institutional structure.

KEY WORDS: World financial market, structure of world financial market, world financial centers, world financial market players, financial instruments.

Introduction

The present world economy development stage is characterized first of all by qualitative changes in the all-round relations between the world countries. The priority growth rates in sales of services as compared with the sales of goods and manufacturing, involvement of almost all world countries in the international specialization of labor, large-scale deregulation of the financial sector which took place during the last 40–50 years resulted in accelerated development of the financial component of the international economic relations, world economy financial sector and international financial markets growth.

Beginning from the 1920-s of the XX century when the financial sector began increasingly to separate from the real sector, and the access to financial resources began to define the quality of economic development of the countries, the lack of control of the world financial assets and asymmetry of their distribution resulted in the need for introduction of institutional international finances regulation mechanisms. All this led to creation of new instruments traded in the different segments of the world financial market and caused a rapid and uneven development of the financial sector, more frequent and deeper financial crises.

At the present stage of development of the economic science, many scientific studies are conducted in the sphere of finances, the view of which is to consider and establish the interrelationships

*This article was translated from its original in Ukrainian

** Oleh Patsenko — PhD in Economics, Associate Professor of the International Economy Department of Kyiv National Economic University named after Vadym Hetman.

Ellana Molchanova — PhD in Economics, Associate Professor of the International Economy Department of Kyiv National Economic University named after Vadym Hetman.

between the processes taking place on the world financial market. There is no unified concept of treating the economic essence of this idea. So our task is first of all to precise the essence of the world financial market for more clear understanding of the processes that take place on this market in the present conditions, differentiation of criteria of its segmentation and examination of its structure.

Theoretical approaches to definition of the essence of the world financial market

The concept of the «world financial market» is a very broad one as it covers not only the financial relationships but also a considerable number of forms of ownership relationships.

Thus, M. Pebro understands under the world financial market a complicated tangle, interdependence, integration of national and international markets which provides for flow of money and credits resources between the countries, regions, industries and separate business subjects.¹ The world financial market came into existence due to integration processes between the national financial markets². They became apparent in consolidation of relations, extension of contacts between the national financial markets, their progressing interweaving. The banks began to grant, and their clients to get financial services beyond the borders of the countries of their location, in several currencies simultaneously. The conditions of such agreements, for example, the rates of interest for the credits, began to become more uniform and more and more attractive to the borrowers and other receivers of banking services as compared with the conditions existing on the national markets. Apart from that, it was also connected with the fact that in case of the international financial corporations there were no such rigid requirements connected with state regulation as in separate countries.³

The markets of different countries where it is possible to mobilize funds not only interact, but also depend on each other. Taken in the aggregate, they develop into a integrated global system unified by common functioning conditions and evolution patterns. So, today the investor or the borrower taking some decision deals not with

¹ Pebro M., *International economic, monetary and financial relations* (M.: Progress, Univers, 1994), p. 401. [in Russian].

² Sidenko V.R., *Foreign economic activity: problems of systemic transformation during market transition* (K.: OAO «OKO», 1998), p. 93 [in Russian].

³ Tsarevsky N.V., *Monetary and financial relations in the conditions of integration* (M.: Economics, 1978), p. 252. [in Russian].

separated national markets, but with the different segments of the single world financial system¹.

Thus, the world financial system is a global system of free financial resources accumulation and their granting to borrowers in different countries on the principles of market competition. Today, this market has become a very large one and is now one of the most important sources of financial resources, becoming the decisive factor of the economic life of all countries without exception.

Apart from the trend of integration in the process of formation the world financial market, the leading home and foreign scientists such as A. Galchinsky², Z. Lutsishin³, Yu. Pakhomov⁴, A. Filipenko⁵, L. Krasavina⁶, M. Portniy⁷, I. Trachtenberg⁸ and others consider in their studies the world financial market through the system of functioning of the national and international borrowed capital markets: the authors separate a number of completely independent sectors: short-, medium- and long-term markets, mortgage markets, euromarkets, and properly financial markets⁹.

For example, academician I. Trachtenberg defines the financial market as a synthetic formation uniting the money market (the aggregate of the means of purchasing and payment) and the market¹⁰.

M. A. Portnoy understands the international financial market rather narrowly, reducing it to the international money resources market the players on which are the legal and financial persons foreign in respect of the given country. To his opinion, the international borrowed capital market consists of two parts: the

¹ Mokiy A., *Regional sector model of foreign economic integration: pre-conditions and strategy of realization* (L.: Kooposvita, 1999), p. 244. [in Ukrainian]

² Galchinskiy A.S., *Reforms contradictions: in the context of civilizing process* (K.: Ukrainski propilei, 2001), 320 pp. [in Ukrainian]

³ Lutsishin Z., "Asymmetry and paradox of financial globalization," *International economic policy* № 8-9 (2008): pp. 78-103. [in Ukrainian]

⁴ Pakhomov Yu. M., D. G. Lukianenko, B. V. Gubsky, *National economies in the global competition environment* (K.: Ukraine, 1997), 463 pp. [in Ukrainian]

⁵ Filipenko A. S., *International economic relations. Theory, Textbook for higher school students in economy* (K. Lybid, 2008), 408 pp. [in Ukrainian]

⁶ *International monetary and credit as well as financial relations: Handbook*, Edited by L. N. Krasavina (M.: Finances and statistics, 2000), 838 pp. [in Russian].

⁷ Portnoy M. A., "Trends in development of the world capital market and adaptation possibilities of Russia," *USA: Economy, politics, ideology* № 2 (1997): pp. 5-16.

⁸ Trachtenberg I. A., *Money circulation and credit in the conditions of capitalism* (M.: USSR AS Publishers, 1962), 780 pp. [in Russian].

⁹ Bilorus O. G., Lukianenko D. H. and others., *Globalization and safety of development: Monograph* (K.: KNEU, 2001), 736 pp.; [in Ukrainian]. Galchinskiy A.S., *Reforms contradictions: in the context of civilizing process* (K.: Ukrainski propilei, 2001) 320 pp.; *International monetary and credit as well as financial relations: Handbook*, Edited by L. N. Krasavina. (M.: Finances and statistics, 2000), 838 pp.; Pakhomov Yu. M., Lukianenko D. H., Gubsky B. V., *National economies in the global competition environment* (K.: Ukraine, 1997), 463 pp.; Portnoy M. A., "Trends in development of the world capital market and adaptation possibilities of Russia," *USA: Economy, politics, ideology* № 2 (1997): pp. 5-16.

¹⁰ Trachtenberg I. A., *Money circulation and credit in the conditions of capitalism* (M.: USSR AS Publishers, 1962), p.10. [in Russian]

currency market (Eurocurrency market) and the financial market proper. The financial market proper differs from others by the fact that the money resources are involved through the mechanism of emission of securities of different kind and maturity as well as syndicated bank credits¹. The Western economists in their majority share such version of division of the world financial market into the money market and the capital market. The criterion of such division is the maturity of the instruments used².

The Russian researcher academician L. M. Krasavina believes that the world financial market is a component in the structure of the international borrowed capital market and she also understands it as a synthesis (unity) of money market and capital market, including emission and transactions with the securities on the euro-financial market (the market of Eurobonds, Euroequity, Euronotes, new financial instruments)³.

So, the difficulty of definition of the world financial market is connected with the existence of many approaches to its classification. Let us consider some of them.

Multicriterion character of world financial market structuring

Subject to transfer of financial resources for use the financial market is divided into the *borrowed and equity capital* markets. On the borrowed capital market, the resources are transferred on the condition of borrowing for a specified time period at interest by way of debentures or credit instruments. On the equity capital market, the funds are invested for an indefinite time period. At the same time the investor becomes entitled to a part of the profit in the form of dividends, obtains the right of co-ownership in respect of the assets of the enterprise and fully shares the business risks with the other shareholders of the enterprise⁴.

By the maturity of the financial assets which may be traded on the market, the financial market is divided into:⁵

- the money market where short-term money investments are performed. On this market financial assets are traded the maturity

¹ Portnoy M.A., "Trends in development of the world capital market and adaptation possibilities of Russia," *USA: Economy, politics, ideology* № 2 (1997): p. 22.

² Maximo V. E., Francis A. L., Lawrence J. M., *World finances*, Trans. from English (M.: DSKA, 1998), p. 22

³ *International monetary and credit as well as financial relations: Handbook*, Edited by L. N. Krasavina (M.: Finances and statistics, 2000), p. 387-389 [in Russian].

⁴ Bowman E., *Principles of strategic management*: Trans. from English (M.: UNITI, 1997), p. 87

⁵ V. E. Rybalkin, *International economic relations: Textbook for students in "World Economy"* (M., 1997), p. 200. [in Russian]

of which does not exceed one year: short-term treasuries, savings and deposit certificates, promissory notes, short-term bonds of different kind, etc;

- the capital market where funds are drawn for the support of the current capital in case of temporary short-term need for monetary funds. Financial institutions, particularly the commercial banks, draw funds on such markets for granting loans to other market players and for maintaining the liquidity at an adequate level. The short-term securities on the money market are more liquid and subject to lesser price fluctuations than on the capital market, so investing on the money market is less risky than on the capital market. The capital market is designed for long-term investment of funds in the fixed capital. On the capital market medium- and long-term credits are granted, medium- and long-term debentures are traded as well as ownership instruments – stocks, for which no maturity is provided. Issuing stocks and bonds, drawing bank credits, the corporations form financial resources on the capital market needed for production modernization and expansion, implementation of new technologies, development of production of new types of products. The natural persons and building organizations draw funds for acquisition and construction of real estate. Financial institutions form own financial resources which are in their disposal during the whole period of functioning and provide for economic growth and economic stability of the financial institution.

Depending on what kind of financial assets are offered for sale, new or previously emitted ones, the financial market is divided into the *primary and secondary markets*. The primary market is the market for primary and repeated emissions on which initial placement of financial assets among the investors and initial capital placement in different spheres of economy are performed. The indispensable players on the primary market are the securities issuers and investors.¹

On the secondary market, the previously issued financial assets are traded. Transactions on the secondary market do not increase the total number of financial assets and the total amount of investments in the economy. The important features of the secondary market are liquidity, the possibility of taking up considerable amounts of financial assets within a short period of time with low transaction costs. The main part of transactions on the secondary market is the transactions connected with redistribution of spheres of influence on the market and speculative transactions. As a rule, the secondary market defines the prices on the primary market. The secondary

¹ Kozak Yu. G., Kasatkina V. I., *International finances* (Odessa: 1999), p. 78. [in Russian].

market for some types of financial assets is rather limited, for some other types it is practically non-available. Such financial assets as stocks, futures and options, are characterized not only by a developed secondary market, but also by the availability of specialized exchanges for trading these assets. In the countries with developed market economy, the secondary credit market is developed due to introduction by financial intermediaries of innovations on the loan instruments market, that is, due to the use of the asset securitization procedure.

Depending on the place where the financial assets are traded, the markets are subdivided into the *exchange and the over-the-counter markets*. The exchange market is connected with the concept of exchange as a separated way of organized market contributing to increasing the capital mobility and establishment of the real market price of the assets. The exchange market is mainly a secondary market as in most cases previously released financial assets are traded there. So-called trading and information systems are used on the over-the-counter market. The users of such systems — the financial intermediaries — can familiarize themselves with the demand for and supply of the financial assets and conclude contracts with the intermediaries with interesting offers.

In the different segments of the financial market the exchange and the over-the-counter markets play different roles. Thus, *on the currency market* trade in currency resources is focused mainly on the *over-the-counter interbank market*. On the securities market both the exchange and the over-the-counter segments are very important. Trading organizers on the exchange securities market are the stock and specialized exchanges trading in futures and options contracts. On the over-the-counter market, trade in securities is performed through trading and information systems created by the securities traders in compliance with the legislation of the relevant country. Trade in stocks is performed mainly on the exchange market, whereas the bonds are traded mostly on the over-the-counter market.

If we take the *globality* concept as the classification criterion, we may divide the financial markets into international (global and transnational¹) and national ones. The latter, in their turn, may be divided into the resident and non-resident markets. The resident market is the market of the financial assets emitted by the residents on the national market. The non-resident market is the market where the non-residents issue financial assets in compliance with the legislation of a certain country. The non-resident market in Japan is

¹ Such is the division proposed by the Z/Yen agency publishing yearly the Global Financial Centres Index.

called «samurai» market, in Spain — «matador» one.¹ The securities issued on such market are called foreign securities. The non-resident markets are rather developed in some countries where the state regulation supports the development of such markets.

On the international financial market, the assets issued beyond the jurisdiction of some specific country are offered to the investors of many countries. The players on the international market are governments, central banks, financial institutions, large industrial corporations as well as international financial institutions and organizations. The main financial instruments traded on the international market are the Eurocredits, Eurostocks and derivatives.

From the organizational point of view, the financial market is a system of independent separate markets (segments) in any one of which markets of specific financial assets types (segments) are singled out: 1) the currency market, 2) the precious metals market, 3) the securities market, 4) the money market, 5) the capital market; 6) the real estate market. As the separate financial market segments have specific structure and functioning mechanisms, O. Bakayev proposes to unite them into such financial market components as the securities market (stock market), currency and credit markets, noting that on the developed financial markets the currency market is not singled out separately as a financial market component, the credit market is considered to be a specific component of the loan instruments market.

From the functional point of view, it may be divided into such markets as the currency, derivatives, insurance services, stock, credit markets, and these markets may be in their turn divided into more narrow ones — into the long-term *debentures* market and the bank credit market. Yet it should be noted that the long-term debentures market is also a stock market component, that is it has somewhat dual nature, though some scientists tend to including in the stock market only the share securities — the stocks.²

From the *financial assets maturities* point of view, the world financial market may be divided into two parts: the money market (short-term) and the capital market (long-term), *structuring it by the organizational and economic criterion*³ (see fig. 1).

¹ Harris D. M., *International finances*: Trans. from English (M.: Filin, 1996), p.87

² Levkivskiy V. M., "Globalization of financial markets and their effect on the international capital flows," *Siveryansky litopis*, All-Ukrainian scientific magazine № 3 (2002): p. 128 [in Ukrainian]

³ Anisimov A. Ye., "Problems of capital concentration in global economy," Theoretical and practical magazine, *State. Law. Economy* (small and medium business) № 1 (2004): p. 215 [in Ukrainian]

The short-term nature of the considerable part of the world financial market makes it subject to financial assets inflows and outflows. Moreover, a considerable part of financial assets is directly present on the money market with one objective — obtaining maximum profit, here included also by way of targeted speculative transactions. In the periods of financial boom, they most actively flow from one financial center to another, and also between these centers and the periphery, whereas in the periods of financial crises or on the eve of them they quickly return back.

V. Sheludko also divides the world financial market into the world money market (short terms of sales and purchases of short-term debentures) and the world capital market (long terms of sales and purchases of long-term debentures and stocks), yet to his opinion the classification criterion is the dependence *on the property title realization time parameters*.¹

There are processes of free financial resources accumulation, distribution and redistribution between the economy industries constantly taking place on the financial market. The transfer of financial resources from one market players to the others is performed through different financial instruments which are financial assets for the investors and liabilities for those who need investments and issue financial assets.

On the financial market, both direct and indirect financing is performed which requires the availability of financial intermediaries in the processes of capital transfer from one market players to the others. It is the indirect financing that plays the leading role on the borrowings market as the main resource sources for corporations and many other market players are the credit resources provided by financial intermediaries — the commercial banks, and not by the investors. Proceeding from this point of view, the *institutional structure* of the world financial market consists of the non-financial sphere institutions, the state, the population, the professional market players — financial institutions and infrastructure institutions as well as foreign market players.²

¹ Sheludko V. M., *Financial market: Tutorial* (K.: 2002), p. 71. [in Ukrainian]

² Kidwell D. S., Peterson R. L., Blackwell D. U., *Financial institutions, markets and money* (M.: "Progress", 1982), p. 81. [in Russian]

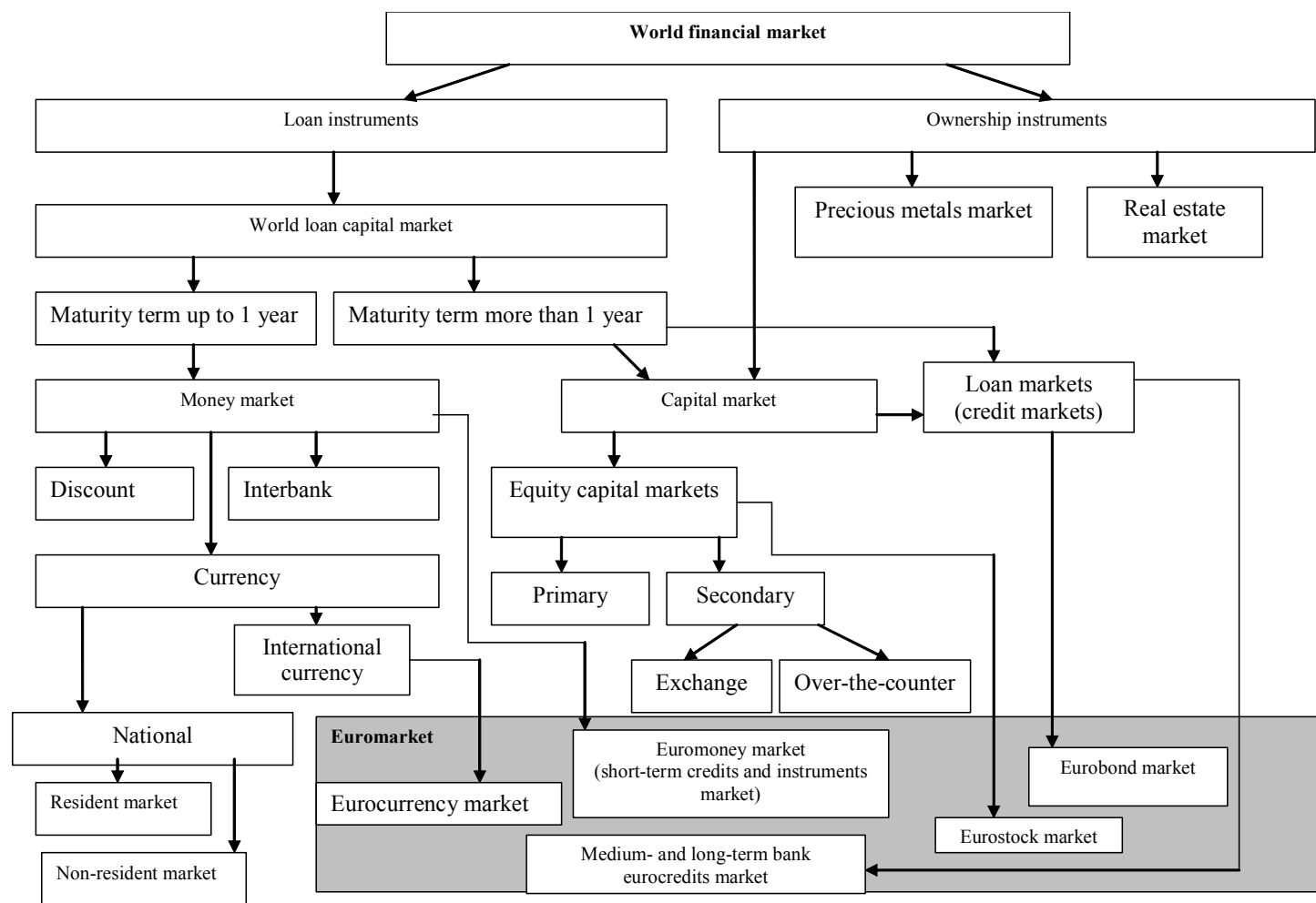


Fig.1. The world financial market

So, the world financial market is a complicated, internally structured system. There is no single approach to definition of its nature and structure, neither a clear definition of the segments forming the present world financial market. That is why we propose the following world financial market structure (see fig. 1). The classification criterions in this scheme are the following instruments: loans and property.

The financial market may be both a fully segmented and fully integrated one. If the market is fully segmented, the investor from one country can not invest in securities in some other country. At the same time securities of the same risk degree have different yield rates on different markets which is caused both by market segmentation and the differences in the rate of exchange as well as the differences in the taxation systems. On the fully integrated market, the investor may invest funds anywhere. At the same time the securities of the same risk degree provide for the same yield rate for the investor. Today, financial markets of different levels as well as the markets of different financial instruments are integrated to different degrees.

The issuers have limited possibilities in respect of attraction of cheaper capital beyond the local market, and the investors — in respect of investing funds on the markets of different countries and on the international market. So the integrated character of the world financial market is one more classification criterion. Then the world financial market structure should be considered in the perspective of its geographical, functional, currency and institutional structure.

Geographical structure of the world financial market

The geographical structure of the world financial market may be considered from the point of view of interaction of the national and international (world) financial markets. The world financial markets that appeared on the basis of the national markets closely interact with them and have a number of specific differences, the principal ones of which are the large scales of transactions (the daily transactions on the world financial markets exceed 50 times the transactions connected with the world trade in goods), absence of geographical frontiers, 24-hour performance of transactions, use of a limited number of currencies of the leading countries, high credit rating of the market participants. Among the other characteristic features of the world financial market the following ones should be mentioned: diversification of its segments and transaction instruments (more than 2000 different instruments and their combinations are traded on the markets providing for diversity of options in respect of the cost, risks, yield, maturities, liquidity and control for the investors and capital recipients), availability of specific interest rates on this market (LIBOR, IMF credits price

formation: basic SDR rate + additional interest points for the size of the quota used), transactions standardization and their high technology level (so an indispensable condition for such a site is the availability of an efficient modern technological stock exchange), mainly documentary nature of transactions. The world financial sites have also a lower level of taxation, they operate in countries with developed credit, legal and judicial systems and currency legislation which provides for the access of foreign borrowers to the national market and foreign securities to listing; however, the country of location shall have experience in trading in up-to-date financial and business services and the relevant information and communication infrastructure shall be available and the skilled personnel which could work in the financial institutions, infrastructure and consulting organizations and regulating bodies.

Most actively the financial resources are flowing in the global financial centers (world financial centers). To them belong: New-York and Chicago – in USA; London, Frankfurt, Paris, Zurich, Geneva, Luxembourg – in Europe; Tokyo, Singapore, Hong Kong, Bahrain – in Asia. In the future the today's regional centers – Cape Town, Sro Paulo, Shanghai, may become world financial centers. Some offshore centers became world financial centers, first of all in the Caribbean region – Panama, Bermudas, Bahamas, Cayman Islands, Antilles and other islands. Table 1 provides some idea on the operation of the world financial centers.

Table 1. TOP-5 Global Financial Centers According to the Z/Yen Company Rating

Center, place in the rating	Activity characteristics
1. London	Specialization: Eurocurrency transactions, futures transactions, stock instruments, gold market (spot) 1 st place by the number of foreign banks Share of the local exchanges in the trade on the secondary bonds market – 70%, derivatives market – about 40–50%, 32% of the currency market, 50% of the foreign stock market, 20% of international credits, 90% of the metals trading market. 80% of European hedge-funds Value of the corporative securities in management – 2,5 trillion of US dollars Problems: higher costs, high income tax rate
2. New-York	Specialization: stock market, transactions with foreign securities, mergers and acquisitions Currency market growth rate – 8%, hedge-funds profitability – 8%, value of in management – 2,4 trillion of US dollars NYSE stock market capitalization – 9 trillion of US dollars Problems: possibility of prosecution, Sarbanes-Oxley law

Center, place in the rating	Activity characteristics
3. Hong Kong	Specialization: syndicated crediting, stock valuables transactions 5 th place by the number of foreign banks 6 th place by currency operations Anglo-Saxon financial legislation, preferential customs regimes, low taxation and regulation levels
4. Singapore	Specialization: stock valuables market, banking transactions, currency transactions Developed banking system Problems: low competitiveness As a result of takeover of the Australian stock exchange in 2011 became the first trading site in the Asian region.
5. Shanghai	Specialization: transactions with stocks, bonds and IPO 894 companies, 596 of which are industrial ones In 2010, 3 rd place in the world by the electronic transactions volumes: 4,4 trillion of US dollars Stock market capitalization — 2,7 trillion of US dollars

Source: Global Financial Centers Index 10 [Electronic resource]. — Access mode: <http://www.zyen.com/PDF/GFCI%2010.pdf>

The distinctive feature of the world financial market development is the volatility and unpredictability of the changes in the financial flow directions which is evidenced by the data of fig. 2 and table 2. The stock markets development dynamics shown in Fig.2 and the fact that the investing activity in respect of placement of direct foreign investments in 2010 was mainly provided by the investors from the developing countries and the countries with transitional economy¹, indicate the distinctive feature of the world financial markets — their turbulence, structure fractality: profits must be provided for in the first place.

For example, during 2008 more than 3 billion US dollars of foreign investments were withdrawn from the territory of Ukraine, and during 2009 — 761.4 million of US dollars of foreign investments (in 2009 it made 2% of the accumulated DFI level in Ukraine²), they were also actively withdrawn from other economies, at the same time the consequences for the national economy were catastrophic, the balance of payments state deteriorated, there was lack of funds needed for financing the development of countries.

¹ According to the UNCTAD data, the share of the incoming DFI for the developing countries has increased from 37,7 % of total DFI in 2008 to 46,1 % of total DFI in 2010 p., and the share of the outgoing ones — from 16,2 % in 2008 to 24,8 % in 2010 correspondingly. Source: Report on world investments, 2011 r. [Electronic resource]. Access mode: http://www.unctad.org/ru/docs/wir2011overview_ru.pdf

² Calculated according to the data of the State Statistics Committee of Ukraine. Source: Investments in foreign economic activity: collection of statistics (Kyiv, 2010). [Electronic resource]. Access mode: http://ukrstat.org/druk/katalog/kat_r/publ6_r.htm

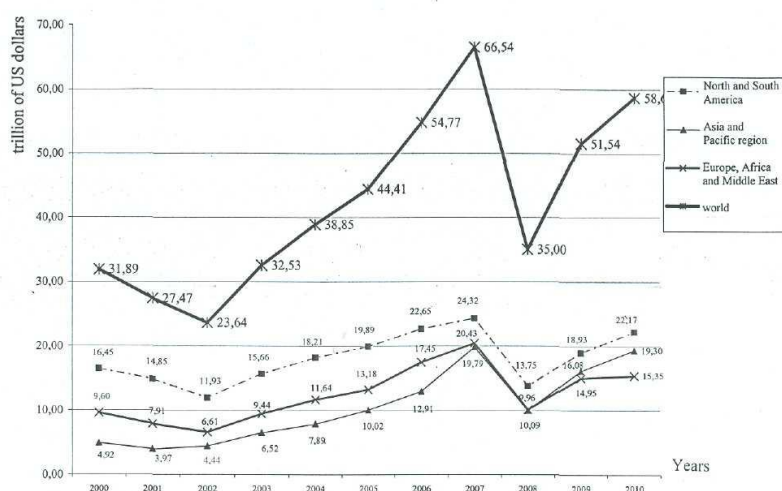


Fig. 2. Capitalization of national stock markets, 2000 – 2010, trillion of US dollars

Source: 2010 World Federation of Exchanges Market Highlights [Electronic resource].
Access mode: <http://www.world-exchanges.org/files/file/stats%20and%20charts/2010%20WFE%20Market%20Highlights.pdf>

The trend of investments flows biasing towards the developing countries and the countries with the transitional economy is evidenced also by the change in the geographical location of the places of the initial stocks issues and additional stocks issues (table 2).

Table 2. Initial Stocks Issues and Additional Stocks Issues by the Trading Sites in Different World Regions, Billion of US Dollars, 2000–2010

Region/Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
North and South America	382.7	131.0	114.6	117.4	176.7	246.8	205.0	287.7	318.6	291.7	341.4
Asia and Pacific region	112.3	57.8	71.4	99.6	142.7	147.2	205.0	339.0	223.1	359.6	436.2
Europe, Africa and Middle East	398.8	168.7	119.9	129.9	209.2	203.2	335.9	339.0	427.3	258.5	234.0
World	893.9	357.5	308.9	346.9	528.6	597.2	723.4	966.3	969.0	909.8	1011.6

Source: 2010 World Federation of Exchanges Market Highlights [Electronic resource].
Access mode: <http://www.worldexchanges.org/files/file/stats%20and%20charts/2010%20WFE%20Market%20Highlights.pdf>

Nevertheless, the geographical structure of the world financial markets remains rather conservative. The lion's share of the transactions connected with placement of the instruments of international money markets and international bonds and medium-term notes are performed in USA, Canada, EU and EFTA countries, Australia and New Zealand, at the same time even in this group of countries USA and European countries prevail, and most of all Great Britain (see table 3).

Table 3. Geographic Structure of Issues of Money Market and Bond Market Instruments, 2010—2011, %

	Instruments of international money market ¹			International bonds and medium-term notes ²		
	December 2010	March 2011	June 2011	December 2010	March 2011	June 2011
Total, billion US dollars	915.8	982.2	958.7	26771.8	28062.8	28675.4
Developed countries	95.13 %	93.92 %	93.28 %	86.77 %	86.84 %	86.72 %
US and Canada	10.64 %	10.20 %	8.39 %	26.73 %	26.04 %	25.75 %
Japan	0.22 %	0.13 %	0.15 %	0.68 %	0.65 %	0.62 %
Australia and New Zealand	5.31 %	4.72 %	5.59 %	2.06 %	2.01 %	2.03 %
EU and EFTA countries except for Poland and Hungary	78.97 %	78.86 %	79.16 %	57.29 %	58.14 %	58.32 %
Offshore centers	2.99 %	3.41 %	4.33 %	5.67 %	5.44 %	5.41 %
Developing countries	0.68 %	0.70 %	0.73 %	4.27 %	4.31 %	4.36 %
Africa and Middle East countries	0.02 %	0.04 %	0.04 %	0.58 %	0.58 %	0.56 %
Asia and Pacific region countries	0.45 %	0.45 %	0.48 %	1.15 %	1.15 %	1.16 %
Croatia, Poland, Hungary, Russia, Turkey	0.00 %	0.00 %	0.00 %	1.02 %	1.05 %	1.08 %
Latin America and Caribbean region countries	0.20 %	0.21 %	0.20 %	1.52 %	1.52 %	1.55 %
International organizations	1.20 %	1.95 %	1.66 %	3.29 %	3.41 %	3.51 %

Calculated according to the data of the Bank of International Settlement. [Electronic resource]. Access mode: http://www.bis.org/publ/qtrpdf/r_qa1109.pdf#page=118

¹ Include commercial papers short-term treasuries and other short-term loan instruments.

² Include foreign securities and Eurobonds, other euromarket instruments, medium-term notes.

The geographic structure of the world financial market may be also examined in the perspective of maturity and activity diversification of the world financial centers (table 4).

However, the principal world financial centers remain to be the more diversified London, New-York and Tokyo. Their functional structure remains more adapted to various needs of the capital donors, recipients and financial intermediaries.

Table 4. Geographical Structure of the World Financial Market

	<i>North and South America</i>	<i>Asia and Pacific region</i>	<i>Europe, Africa, Middle East</i>	
Global financial centers	Chicago New-York Toronto	Hong Kong Singapore Tokyo Peking	Frankfurt London Zurich Amsterdam Dublin	Paris Luxembourg Dubai Moscow Jersey Island
Transnational financial centers	Boston Vancouver Washington Montreal Cayman Islands British Virgin Islands	Kuala Lumpur Seoul Shanghai Sydney Shenzhen Bangkok Mumbai Hamilton	Edinburg Munich Brussels Copenhagen Glasgow Istanbul Madrid	Gibraltar Qatar Isle of Man Guernsey island Athens Bahrain
Local financial centers	Mexico San Francisco Sro Paulo Buenos Aires Rio de Janeiro Bahamas	Melbourne Osaka Manila Taiwan Wellington Jakarta	Johannesburg Helsinki Lisbon Milan Oсло Stockholm Vienna Warsaw Malta	Mauritius Island Monaco Rome Budapest Prague Reykjavik Riyadh Tallinn Petersburg

Source: Global Financial Centers Index 10 [Electronic resource]. — Access mode: <http://www.zyen.com/PDF/GFCI%2010.pdf>

Functional structure of world financial markets

The functional structure of world financial markets may be considered first of all from the point of view of their division into the international money markets and capital markets, the indispensable part of which is the international bonds markets (see table 5).

It is easy to see that the issue volumes of the money market instruments and the bonds on the national markets exceed by far the trade in Eurobonds, foreign bonds and Eurobonds, euro-commercial papers and euro-notes. On the national markets, treasuries are traded more frequently, whereas on the international markets commercial papers make the larger part, on the bond markets reliable instruments with fixed interest rate are preferred, and the

segment of notes and instruments with floating interest rate is relatively smaller.

Table 5. International Money Markets and Bond Markets Instruments Issue Volumes by the Instrument Types, 2010—2011, Billion US Dollars

	December 2010	May 2011	June 2011
International money market instruments			
<i>Total</i>	915.8	982.2	958.7
Commercial papers	511.9	556.8	558.9
Other instruments	403.8	425.3	399.7
International bonds and medium-term notes			
<i>Total</i>	26771.8	28062.8	28675.4
With floating interest rate	7887.0	8181.1	8274.4
With fixed interest rate	18399.7	19382.4	19897.7
Converted bonds and warrants	485.0	499.3	503.2
For information: National money markets instruments			
<i>Total</i>	12550.2	12580.2	data not available
Commercial papers	1780.8	1867.5	data not available
Treasuries	5774.9	5739.5	data not available
Other instruments	4994.4	4973.2	data not available
For information: Bonds and medium-term notes on national markets			
<i>Total</i>	54587.5	56136.5	data not available
Medium-term notes	804.6	862.6	data not available
Bonds	53782.9	55273.9	data not available

Compiled according to the data of the Bank of International Settlement. [Electronic resource]. Access mode: http://www.bis.org/publ/qtrpdf/r_qa1109.pdf#page=118

The functional structures of the markets in different countries are quite different, and their so-called «financial depth» is also quite different.¹ (table 6).

¹ Ratios of the borrowing volumes by the financial market segments to the GDP %.

Table 6. Financial Depth, Countries and Regions in 2010, %

	USA	Japan	West Europe	Other developed countries	People's Republic of China	India	Middle East and Africa	Other Asian countries	Latin America	Central and East Europe countries, NIS
Borrowings through credits, excluding securities	44	106	110	91	127	60	66	54	27	62
Borrowings through issue of securities, excluding bonds	77	10	15	29	2	2	2	1	3	2
Borrowings through issue of bonds by non-financial institutions	31	18	19	20	10	10	5	10	3	2
Borrowings through issue of bonds by financial institutions	116	31	115	47	16	16	6	7	20	6
Borrowings through issue of public bonds	75	220	72	49	28	44	15	34	38	24
Capitalization of stock market	119	72	69	152	97	93	96	62	57	48
Financial depth, % of GDP	462	457	400	388	280	209	190	168	148	142

Source: Mapping Global Capital Markets 2011, McKinsey Global Institute Updated Research, August 2011 [Electronic resource]. Access mode: http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Mapping_global_capital_markets_2011

It is easy to see that, for example, in the West Europe countries more conservative instruments are preferred that are long-term, less depend on the market conditions and are better guaranteed, namely: bank credits and financial institutions bonds, whereas in USA, along with the said instruments, financing by way of issue of share securities is used more largely. The developed countries also have a financial depth parameter which is much higher than the average global one (in 2010 – 278 %¹).

Finally, the functional structure of the world financial markets can be examined more deeply in the perspective of the activity of the financial centers (table 7).

¹ According to the data of McKinsey Global Institute. *Source:* Mapping Global Capital Markets 2011, McKinsey Global Institute Updated Research, August 2011 [Electronic resource]. Access mode: http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Mapping_global_capital_markets_2011

Table 7. Functional Structure of the World Financial Centers: London, New-York, Tokyo

	London	New-York	Tokyo
Long-term loan capital market	securities issued by the government and firms of the United Kingdom; Eurobonds issued by foreign borrowers; stocks; securities of companies listed on the International stock exchange; non-listed securities; first class securities (public bonds issued by the Bank of England); securities of firms with fixed interest rates; options; foreign stocks.	stocks; bonds, including: – mortgage market (secondary hypothec market); – public bond market (treasuries); – industrial bonds market; – loans to targeted enterprises; – foreign bonds market (dollar-nominated bonds issued by foreigners in New-York).	stocks; interest public bonds (long- and medium-term); discount public notes and promissory notes; municipality bonds; energy sector securities guaranteed by the state; industrial bonds; foreign bonds in yens; converted bonds; bonds with subscription warrants.
Short-term loan capital market	interbank market; sterling-nominated deposit certificates; dollar-nominated deposit certificates; local authorities securities; financial companies securities; inter-firm securities; short-term commercial euro-notes; sterling-nominated short-term notes.	treasury bills; USA Federal Agencies securities; deposit certificates; federal reserve funds and contracts on purchases of securities with subsequent buy-out at a specified price; bank accepts (promissory notes accepted by banks); commercial short-term promissory notes; loans to dealers and brokers.	on-call loans market (funds loans between banks); treasury bills; bill discount market; deposit certificates; short-term commercial bills; Gensaki market (market where public medium- and long-term securities resale is performed).
Currency market	spot transactions; term transactions; futures; options; arbitrage transactions.	currency interventions on the national currency market; currency swaps with other central banks; transactions with international organizations.	insignificant

Currency structure of the world financial markets

The currency structure of the world financial market is a complicated one and it is characterized depending on the types of instruments used by its operators. For example, it is known that the commodity market is nominated mainly in US dollars, whereas the Eurobonds market – in euro and pounds sterling, the stock market is in US dollars, in futures transactions the specified currencies are used: US Dollar, Euro, British Pound Sterling, Swiss Franc,

Canadian Dollar, Brazilian Real, Australian Dollar, New Zealand Dollar and Japanese Yen. More clearly the picture is presented in Fig. 3.

It is notable that the most part of issues of these instruments are performed in two currencies – US dollars and euro: in 2011, in the segment of short-term borrowing instruments it was 74.89% of all issues, and in the segment of international bonds – 83.55% of all issues. To a certain extent, the IMF data on the composition of the gold and monetary reserves of the world countries could give some idea of the currency structure of these markets; the US dollar share varied from 70.9% in 1999 to 61.7% in 2011, and the euro share – from 17.9% in 1999 to 25.7% in 2011¹, which on the whole confirms the trend of dominance of these currencies on the world financial markets – 88.8% of all reserves in 1999 were in US dollars and euro, and in 2011 – 87.4%.

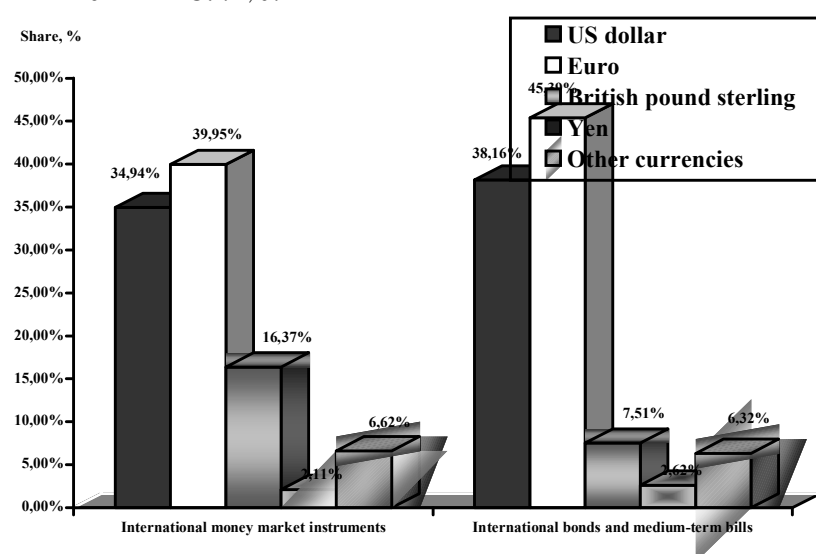


Fig.3. Currency structure of the international money market instruments and international bonds, June 2011, %

Calculated according to the data of the Bank of International Settlement. [Electronic resource]. Access mode: http://www.bis.org/publ/qtrpdf/r_qa1109.pdf#page=118

On one more market – the derivatives market – prevalence of the US dollar and euro is considerable. For example, in December of 2010 the volume of currency derivatives issues made 57.798

¹ Calculated by the authors according to the IMF data. Source: Currency Composition of Official Foreign Exchange Reserves, 30.12.2011. [Electronic resource]. Access mode: <http://www.imf.org/external/np/sta/cofer/eng/index.htm>

billion US dollars, from which 48.739 (41.85%) billion US dollars fell on the US dollar contracts, and 21.930 billion US dollars (18.95%) — on the euro contracts¹.

Finally, the market currency structure may also be considered from the point of view of the currency structure of the debt of the countries borrowing money on the world financial markets. For example, in Ukraine, according to the data of the National Bank of Ukraine, 70.7% of the gross external debt as on the 1 October 2011 was nominated in US dollars, and 10.7% — in euro (in the state administration sector — 57.5% and 5.8% correspondingly, in the banking sector — 86.1% and 5.2% correspondingly, in other sectors — 79.6% and 15.0% correspondingly)².

It should also be noted that the Chinese currency, the yuan (zhenminbi) is used on the market more and more frequently. Within the period from 2007 to 2010, the McDonalds and Caterpillar companies as well as the Asian bank issued bonds nominated in yuans, trade in synthetic bonds is developing which are bought for US dollars and the interest payments and redemption are performed in yuans. It is expected that soon the foreign investors will have the possibility of working on the trading site in Shanghai.

Institutional structure of the world financial market

The main players on the world financial markets are financial institutions, corporations, governments and international organizations. There is considerable difference in the institutional structure of borrowings, for example, on the national and international debentures markets which is shown in fig. 4.

On the national markets, the debt instruments are used mainly by governments (50.3% of all borrowings in 2009 and 57.8% in 2011), whereas on the international markets the governments borrowed funds by way of placement of debentures to a relatively lesser extent (8.4% in 2009 and 8.9% in 2011).

At the same time, financial institutions use very largely borrowing through debt instruments: though they borrowed less funds on the national markets as compared with the governments — from 39.9% of the amount of funds attracted in 2009 to 31.8% in 2011, they were principal players on the international markets (their

¹ In the process of share calculations the fact was taken into account that in the currency derivatives the double entry principle is applied and the difference in rate of exchange is allowed for, so the total amount of issues by currencies makes 200% of the figure of 57,798 billion US dollars.

² According to the NBU data. [Electronic resource]. Access mode: <http://www.bank.gov.ua/doccatalog/document?id=63735>

share in issue of debentures varied from 77.4% in 2009 to 74.8% in 2011). Corporations took a stable share in national (9.8% in 2009, 10.0% in 2011) and international (11.3% in 2009, 12.9% in 2011) markets.

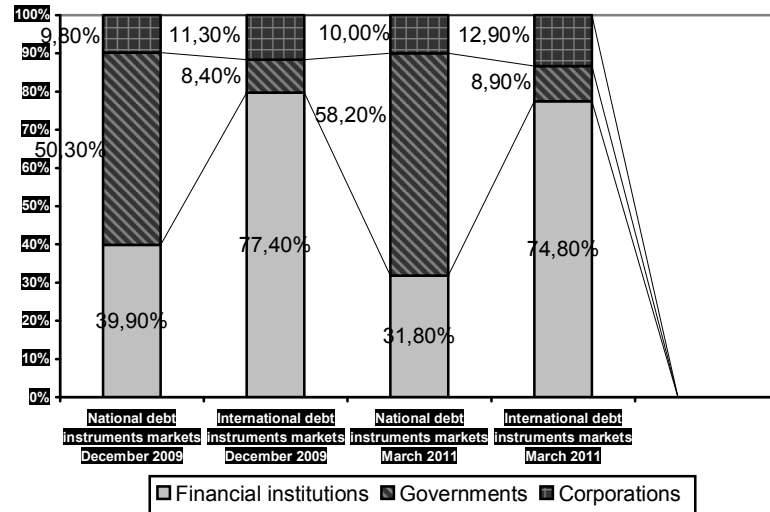


Fig.4. Institutional structure of debt instruments issues, December 2009 and March 2011, %

Calculated according to the data of the Bank of International Settlement. [Electronic resource]. Access mode: http://www.bis.org/publ/qtrpdf/r_qa1109.pdf#page=118

At the same time, financial institutions took a considerable share in the short-term debt instruments market (see table 8). Their share on the bond market, on which governments and international organizations, particularly, IMF and IBRD, actively operated, was much lesser,

Table 8. Institutional Structure of the International Money Market and Bond Market, December 2010 – June 2011

	Instruments of international money market			Instruments of bond and medium-term notes market		
	December 2010	March 2011	June 2011	December 2010	March 2011	June 2011
Financial institutions	92.52 %	91.62 %	90.97 %	59.15 %	58.20 %	57.87 %
Governments	3.58 %	3.55 %	2.85 %	28.56 %	29.68 %	29.83 %
International organizations	1.20 %	1.95 %	1.66 %	4.51 %	4.47 %	4.47 %
Corporations	2.71 %	2.86 %	4.53 %	2.74 %	2.61 %	2.60 %

Calculated according to the data of the Bank of International Settlement. [Electronic resource]. Access mode: http://www.bis.org/publ/qtrpdf/r_qa1109.pdf#page=118

World financial market development trends

The financial market is in a state of constant renewal, it has extremely mobile structure both in currency and functionality respects, and defines in many respects the development of the commodities and services market at the present point in time.

For example, gradual change in the currency structure of the world financial markets is taking place as a result of creation and gradual extension of currency blocks around the leading world countries (euro – 27 European Union countries, a number of African countries; dollar – used in USA, Canada, a number of countries of Latin America – Ecuador, Panama; in Asia – possible unification around the yena, zhenminbi or creation of an «Asian euro»: since 2009, an ACU (Asian Clearing Union) unit is used in the East Asian free trade zone (ASEAN, China, Japan, Korean Republic, India, Australia, New Zealand) as an indicator; monetary reserves diversification and changes in the national currencies pegging regimes (Russian Federation – bi-currency basket on the basis of euro and US dollar, yuan (zhenminbi) of the People's Republic of China – from 21.07.2010 the value is defined on the basis of 4 currencies).

The structure of financial instruments is changing towards the real sector instruments – corporative securities and their derivatives (during the period of 1990–2005, the everyday transactions amount on the currency markets increased 2.3 times, from 880 billion US dollars to 2000 billion US dollars, and the bond market – 5 times, from 195 to 990 billion US dollars), and the role of stock markets is also increasing – according to some calculations, only 25% of funds were attracted by businesses and governments by way of bank credits, the rest – through securities markets. At the same time, the interrelationships between the real and financial sectors of the economy are increasing due to large use of world financial assets with the view of obtaining funds for financing the real sector by the TNC, governments of the countries, international financial organizations (for example, IMF, for financing its activities, does not limit itself exclusively to the contributions of countries, but also uses loans within the frameworks of the General and New loan agreements: from Japan – 100 billion US dollars, from EU countries – 100 billion US dollars, from Norway – 4,7 billion US dollars, from Canada – 10 billion US dollars, sells short-term notes bought by the governments of Russian Federation, People's Republic of China and Brazil, plans to come to the gold market and sell there gold to the amount of more than 6 billion US dollars, increasing its capital by 500 billion US dollars in the aggregate¹; IBRD, for financing its programs,

¹ According to the IMF data. Electronic resource]. Access mode: <http://www.imf.org/external/np/tre/liquid/2012/0112.htm>

sells bonds on the world financial markets, including Eurobonds). The world securities markets increase the scales of use of Internet technologies for transactions on financial markets (electronic exchanges – the world largest one is NASDAQ, one of the most feasible ones – the exchange in Shanghai).

It should be noted that the share of speculative transactions on the markets is sharply increasing; they make now almost 95% of all transactions, and by some estimates, not more than 10% of assets traded on the world financial markets get to the real sector¹. It is connected first of all with the growth of the sector of trading in risk hedging instruments – instruments of the secondary financial instruments markets (futures, options, warrants, swaps, their combinations) which often have no security at all and are used exclusively as speculation instruments; the market capitalization of this segment in 2008 as compared with 2007 sharply increased from 20.4 trillion US dollars to the level of 33.9 trillion US dollars².

During the post crisis period, the turbulence of the world financial market is increasing sharply, which is evidenced by quick changes in the directions of funds flows on the markets. For example, during 2009–2010 the investors focused on the developing countries markets and the markets of countries with transitional economies which is evidenced by the dynamics of direct foreign investments during the last two years (almost 50% of all yearly direct foreign investments³) and the growing role of state finances in the world financial flows (in 2010, more than 10% of all direct foreign investments in the world made the investments of companies having a considerable share of state ownership⁴). The leading positions in initial placement of stocks and their additional issues were held mainly by the exchanges of the Asia and Pacific region (Shanghai, Shenzhen and Singapore) which caused the first increase in trans-frontier capital flows in 2007: in 2007 – 10.9 trillion US dollars (15% of the world GDP), in 2008 – 1.9 trillion US dollars⁵, in 2009 – 1.6 trillion US dollars, in 2010 – 4.4 trillion US dollars (8% of the world

¹ Lutsishin Z., “Asymmetry and paradox of financial globalization,” *International economic policy* № 8–9 (2008): p.86. [in Ukrainian].

² According to the data of the Bank of International Settlement. [Electronic resource]. Access mode: http://www.bis.org/publ/qtrpdf/r_qa1109.pdf#page=118

³ According to the data of UNCTAD. Source: Report on world investments, 2011. [Electronic resource]. Access mode: http://www.unctad.org/ru/docs/wir2011overview_ru.pdf

⁴ Ibid.

⁵ According to the data of the McKinsey Global Institute. Source: Global Capital Markets: Entering A New Era \ 6th Annual McKinsey Global Institute Report (September 2009) [Electronic resource]. Access mode: http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Global_capital_markets_entering_a_new_era

GDP)¹. Also, activities diversification took place in the world financial centers as well as growth of global financial centers in South-East Asia, Middle East and Persian Gulf countries (during 2000—2009, the share and debt instruments markets of the South-East Asian countries grew by 18.3% yearly on the average whereas the developed countries markets — only by 5%; yet the common level of capitalization of the financial markets of the countries with developing market remained lesser — 197% of the GDP versus 427% of the GDP in developed countries)².

One more trend in development of the world financial market is the increase in the scale and depth of the financial crises which is caused by the profound out of balance and actual uncontrollability of the world capital flows and results in loss of profits by the population, reduction of wages and setback in production in the real sector of economy.

The latter trend is one of the principal ones in the globalized economy; the frequency and depth of the crises increase, and the so-called volatility (ability to sudden fluctuations) of the financial markets increases, too. The world financial crisis of 2007 to 2008 impacted the international economic activity through reduction of global financial assets by 9%, and the developed countries suffered from it the most. In the real sector, it manifested itself by dramatic increase in the foreign debt, sharp increase in the prices of oil (on 11 July 2008 the price for a barrel of the WTI brand oil reached historic maximum of 147 US dollars, in October of the same year the price was only 61 US dollars, and in November — 51 US dollars), metals, including precious metals, which may be accounted for transfer of funds by the investors to more reliable markets as compared with the falling financial markets. After announcement by the government of USA in September of 2011 of the issue of long-term Federal Reserve System bonds to the amount of 400 billion US dollars which recapitalized the debt by more short-term bonds, the investors began withdrawing funds first of all from the metals secondary financial instruments markets which caused drop in prices on these markets. In the sphere of public finances, the gold and monetary reserves and state stabilization funds decreased and budget deficits increased as a result of lesser amount of taxes, increased internal debt, increased payments due to higher unemployment caused by the crisis in the real economy sector, and the need for financing crisis management measures (in

¹ According to the data of the McKinsey Global Institute. *Source*: Mapping Global Capital Markets 2011, McKinsey Global Institute Updated Research (August 2011). [Electronic resource]. Access mode: http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Mapping_global_capital_markets_2011

² Ibid.

USA, the government had to bail out the Bank of America Corp., Wells Fargo, Citigroup, JPMorgan Chase&Co., Goldman Sachs, Morgan Stanley and Bank of New York Mellon Corp., assigning for these purposes 125 billion US dollars which was the largest nationalization in the banking sector of USA,¹

The consequences of world financial crisis will be felt a long time as it is the first systemic crisis of namely the existing financial system. First of all, the ratio of financial and real sectors remains a disbalancing one as a process of accumulation of considerable amounts of financial resources with increasing public debt share in them continues in the developed countries group. The said amount grew up to a level of 69 % of the world GDP as compared with 55 % in 2007, and from 5 trillion US dollars borrowed through bond market, 4 trillion US dollars belonged to public securities². Disproportional growth of financial assets continues in the emerging market countries. In 2010, the emerging market countries provided financial resources for 2 trillion US dollars, 1,2 trillion US dollars of which belonged to China³. 387 billion US dollars worth of new securities were issued on these markets, and the world financial market on the whole grew in 2010 to the 212 trillion US dollars mark as compared with the 202 trillion US dollars in 2007 which creates a serious threat of securities market «overheating» in the emerging market countries. The change in the structure and purpose of initial public offerings (IPO) was also remarkable in the period from 2007 to 2010: while in 2007 199 billion US dollars of the 299 billion US dollars drawn through IPO mechanisms were obtained on the sites of London, New-York and other developed countries, in 2010, from 280 billion US dollars of IPO only 116 billion US dollars were obtained on these sites, whereas in China the figure was 125 billion US dollars⁴.

The increasing deposit base of the banks (altogether by 2,9 trillion US dollars in 2010 from which 385 billion US dollars fell on USA, 250 billion US dollars – on the countries of West Europe and 1,1 trillion US dollars – on the People's Republic of China the deposit base of which reached 8,3 trillion US dollars)⁵ could to a certain extent mean

¹ Soros J., *First wave of world financial crisis. Intermediary conclusions. New paradigm of financial markets* (M.: Mann, Ivanov and Ferber, 2010), p.36. [in Russian].

² According to the data of the McKinsey Global Institute. *Source*: Mapping Global Capital Markets 2011, McKinsey Global Institute Updated Research, August 2011 [Electronic resource]. Access mode: http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Mapping_global_capital_markets_2011

³ According to the data of the World Federation of Exchanges. *Source*: 2010 World Federation of Exchanges Market Highlights. [Electronic resource]. Access mode: <http://www.world-exchanges.org/files/file/stats%20and%20charts/2010%20WFE%20Market%20Highlights.pdf>

⁴ Ibid.

⁵ According to the data of the McKinsey Global Institute. *Source*: Mapping Global Capital Markets 2011 \ McKinsey Global Institute Updated Research, August 2011. [Electronic resource]. Access mode: http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Mapping_global_capital_markets_2011

recovery of the system. It should be noted that this increase in deposits mainly in the developing countries is also disproportional — about 2,5 billion people living in these countries have no access to banks (have no accounts, do not use the services etc.).

One more sign of the out-of-balance of the world financial system is the increase in the accounts receivable of the leading world countries controlling the principal currencies, and increase in the accounts payable of the countries with weaker currencies which can not yet become world money equivalents (fig. 5).

For example, in USA the amount of the net external debt (assets – liabilities) reached almost 25% of the GDP. At the same time the DFI flows did not recover as in 2010 they were at a level of 900 billion US dollars (67% of the level of 2007), and investment by way of creation of new enterprises or acquisition of stock packages of the existing enterprises by foreign partners amounted only to 670 billion US dollars (30% of the level of 2007)¹.

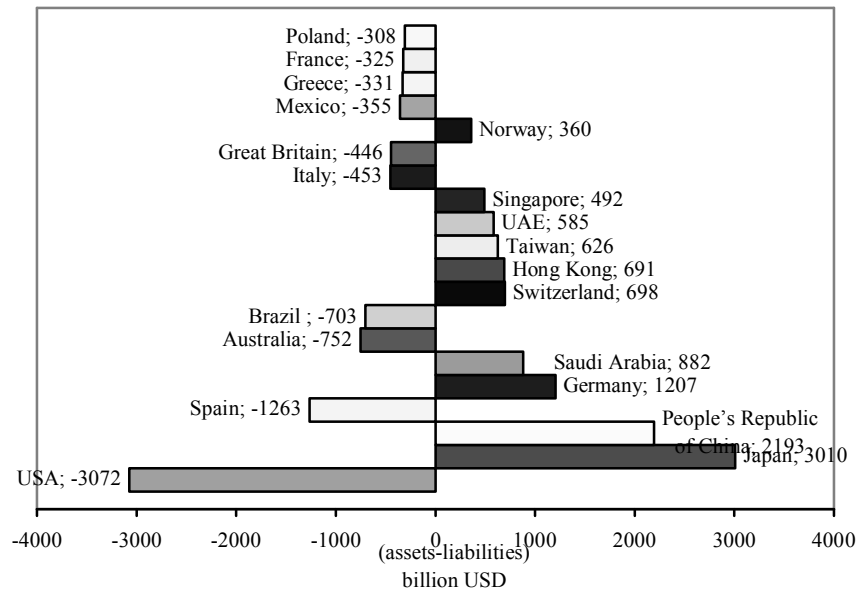


Fig.5. Main net debtor and net creditor countries in 2010.

Source: Mapping Global Capital Markets 2011 \ McKinsey Global Institute Updated Research, August 2011 [Electronic resource]. — Access mode: http://www.mckinsey.com/Insights/MGI/Research/Financial_Markets/Mapping_global_capital_markets_2011

¹ According to the data of UNCTAD. Source: Report on world investments, 2011. [Electronic resource]. Access mode: http://www.unctad.org/ru/docs/wir2011overview_ru.pdf

The main causes of crises are the sharp decrease in the revenues of population as a result of increasing prices and accumulating disbalances in the global economy, insufficient support of the world financial resources with the mass of commodities. It is apparent that the large-scale deregulation of financial markets that took place in 70-s to 80-s of the XX century after the fall of the Bratton-Wood system resulted in grave economic consequences.

During the period of 2008 to 2010, the world countries governments took some measures with the view of supporting the solvency of the national companies, increasing the taxes and reducing the expenses, mostly by way of reduction of the social component of the government economic policy, which was most apparent in USA and the EU countries, yet it did not result in overcoming the consequences of the crisis. The frequently cited lines of reforming the world financial market are increasing the regulation of the banking sphere through introduction of more strict norms of their activity (norms of reservation, ratio of own and borrowed capitals, ratio of credits and deposits), increasing the regulation of the activities on the securities markets, eventual raise of the financial operations taxation, especially on the derivatives markets.

Conclusions

Clear definition of the structure of the world financial market is rather problematic. Different world financial market structuring criteria are used in the scientific literature, according to which it is either identified with the capital or stock market or considered as an aggregate of the money and capital markets. A more wide approach to its structuring foresees singling out geographical, institutional, currency and functional structure of the world financial market, examination of these structures from the perspective of selection of the financial assets term criterion. Their examination shows on the one hand that there exist certain mobility, turbulence of the capital flows, their quick refocusing on the markets of the countries that suffer from the consequences of the world financial crisis to a lesser extent, and, on the other hand, there is a conservatism in development expressing itself in the dominating focusing on the activities in the long-known offshore centers – London, New-York, EU countries markets. The increasingly multicurrency nature of the world currency market structure is restrained by the more conservative countertrend towards the use of the leading currencies on this market, and hardly anyone will give it up as a result of the imminent but yet unclear world finance reforms that are presently broadly discussed in the scientific and business circles. The

increasing volatility of the world financial market, the unevenness of its development, the profound influence of the world economy on the real sector, actual destruction of the myth about self-regulation make it necessary to implement its reforms the character and directions of which the world community will have to define in the nearest future.

References

1. 2010 WFE Market Highlights [Electronic resource]. Access mode: <http://www.world-exchanges.org/files/file/stats%20and%20charts/2010%20WFE%20Market%20Highlights.pdf>
2. Anisimov A. Ye., "Problems of capital concentration in global economy," Theoretical and practical magazine. *State. Law. Economy* (small and medium business) № 1 (2004): pp. 212–216. [in Ukrainian]
3. Bilorus O. G., D. G. Lukianenko, *Globalization and safety of development*: Monograph (K.: KNEU, 2001), 736pp. [in Ukrainian]
4. Bowman E., *Principles of strategic management*: Trans. from Engl. (M.: UNITI, 1997), 840 pp.
5. Filipenko A. S., *International economic relations*, Theory, Textbook for higher school students in economy (K.: Lybid, 2008), 408 pp. [in Ukrainian]
6. Galchinskiy A.S., *Reforms contradictions: in the context of civilizing process* (K.: Ukrainski propilei, 2001), 320 pp. [in Ukrainian].
7. Global Capital Market 6th Annual Report [Electronic resource]. Access mode: http://www.mckinsey.com/mgi/reports/pdfs/gcm_sixth_annual_report/gcm_sixth_annual_report_full_report.pdf
8. Global Financial Centres Index 10 [Electronic resource]. Access mode: <http://zyen.com/PDF/GFCI%2010.pdf>
9. Harris D. M., *International finances*: Trans. from Engl. (M.: Filin, 1996), 870 pp.
10. <http://bis.org> – Bank of International Settlement site [Electronic resource]. Data access mode: http://www.bis.org/publ/qtrpdf/r_qa1109.pdf#page=118
11. *International economic relations*: Textbook for students in «World Economy», Edited by V. E. Rybalkin (M.: 1997), 291 pp. [in Russian]
12. Kozak Yu. G., Lukianenko D. G., Makogon Yu. V., *International economy*: tutorial for higher school students, edited by Yu. G. Kozak, D. G. Lukyanenko, Yu. V. Makogon, 3rd edition (K.: Teaching literature center, 2009), 560 pp. [in Ukrainian]
13. O. I. Rogach, A. C. Filipenko, T. C. Sheremet, *International finances*: textbook, edited by O. I. Rogach (K.: Lybid, 2003), 784 pp. [in Ukrainian]

14. O.M. Mozgovyi, T. Ye. Obolenska, T. V. Musiyets, *International finances: tutorial*, edited by Doctor of Economics, Prof. O.M. Mozgovyi (K.: KNEU, 2005), 504 pp. [in Ukrainian]
15. *International monetary and credit as well as financial relations: Handbook*, Edited by L. N. Krasavina (M.: Finances and statistics, 2000), 838 pp. [in Russian]
16. Kidwell D. S., R. L. Peterson, D. U. Blackwell, *Financial institutions, markets and money* (M.: «Progress», 1982), 384 pp.
17. Kireev A. P., *International economy: in 2 parts, vol.1*, Tutorial for higher school (M.: International relations, 2001), 416 pp. [in Russian]
18. Kozak Yu. G., *International economy*, Tutorial, 2nd edition, revised and completed (K.: Teaching literature center, 2008), 1002 pp. [in Ukrainian]
19. Kozak Yu. G., V. I. Kasatkina, *International finances* (Odessa: 1999), 378 pp. [in Russian]
20. Levkivsky V. M., "Globalization of financial markets and their effect on the international capital flows," *Siveryansky litopis*, All-Ukrainian scientific magazine № 3 (2002): pp. 128–130. [in Ukrainian]
21. Lukianenko D. G., B. V. Gubsky, O. M. Mozgovy, *International investing activity: tutorial*, edited by D. G. Lukianenko (K.: KNEU, 2003), 387 pp. [in Ukrainian]
22. Lutsishin Z., "Asymmetry and paradox of financial globalization," *International economic policy* №8–9 (2008): pp. 78–103. [in Ukrainian]
23. Lutsishin Z. O., *Transformation of the world financial system in the globalization conditions* (K.: Publishing center «DrUk», 2002), 320 pp. [in Ukrainian]
24. Mapping global capital markets [Electronic resource]. Data access mode: http://www.mckinsey.com/mgi/reports/freepass_pdfs/Mapping_global_capital_markets/Capital_markets_update_email.pdf
25. Maximo V. E., A. L. Francis, J. M. Lawrence, *World finances*, Trans. from English (M.: DSKA, 1998), 628 pp.
26. Mokiy A., *Regional sector model of foreign economic integration: pre-conditions and strategy of realization* (L.: Kooposvita, 1999), 346 pp. [in Ukrainian].
27. Pakhomov Yu. M., D. G. Lukianenko, B. V. Gubsky, *National economies in the global competition environment* (K.: Ukraine, 1997), 463 pp. [in Ukrainian].
28. Pebro M., *International economic, monetary and financial relations* (M.: Progress, Univers, 1994) 496 pp. [in Russian]
29. Portnoy M. A., "Trends in development of the world capital market and adaptation possibilities of Russia," *USA: Economy, politics, ideology* № 2 (1997), pp. 5–16.
30. Sheludko V. M., *Financial market: Tutorial*. (K.: 2002), 274 pp. [in Ukrainian].
31. Sidenko V.R., *Foreign economic activity: problems of systemic transformation during market transition* (K.: OAO «OKO», 1998), 305 pp. [in Russian].

32. Soros J., *First wave of world financial crisis. Intermediary conclusions. New paradigm of financial markets* (M.: Mann, Ivanov and Ferber, 2010), 272 pp. [in Russian]

33. Stolyarchuk Ya. M., *Global asymmetries of economic development: monograph* (K.: KNEU, 2009), 302 pp. [in Ukrainian]

34. Trachtenberg I. A., *Money circulation and credit in the conditions of capitalism* (M.: USSR AS Publishers, 1962), 780 pp. [in Russian]

35. Tsarevsky N.V., *Monetary and financial relations in the conditions of integration* (M.: Economics, 1978), 352 pp. [in Russian]

36. "World financial system after the crisis," *Assessments and forecasts* (M.: Maroseyka, 2009), 220 pp.

The article was received by the editorial board on 19.03.2012