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market and new money market
instruments Open**

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3 February 2009

Online at <https://mpra.ub.uni-muenchen.de/13242/>
MPRA Paper No. 13242, posted 08 Feb 2009 05:50 UTC

The role of compensation in money market and new money market instruments Open

Abstract: Creation and proper functioning of the money market in Romania is subject to a preponderant constancy of private property, to support competition as a factor increasing the efficiency of the economy.

Appearance money market in Romania is related to the transformations that have manifested in our country since 1989. As a mechanism of market economy, can not talk about them in existence before 1989.

In a centralized economy, instruments, financial categories have ceased to reflect the actual situation in the economy. Fixing of prices with a high dose of subjectivism has generated the emergence of profitable enterprises without their own merits and others with losses that were not responsible for their financial situation.

Payments in the economy involves a large number of participants engaged in some typical monetary circuit.

Payment means, in some cases, breaking the circuit or undercircuit those requiring acts of transfer or conversion.

In terms of generalized enlargement banking, encompass the economic and individuals in the banking system as account holders, payments between economic issues can not be done only through cooperation between banks by a system of compensation payments. Thus, the centralized clearing the daily flow of payments initiated by owners dispersed throughout the national economy and ensure collection of their primary process compensation.

Compensation is thus on the one hand, the only way to meet payments relationships between partners in different parts of the country and included in one or another of the circuits or undercircuit money.

Compensation payments to all or most money in a single centralized process is the most to ensure economic progress payments to the Force.

Compensation held in centrally organized systems, provides optimal conditions for the conclusion of payments triggered circuits in spontaneously account holders spread throughout the country. Complete offset normal default means extinction of all entrants in compensation payments. Ends in a circuit of the movement of money which was written off in every phase of payments. The future will include compensation and resolve, will also end by extinction, another circuit of the scripts.

Compensation involves the necessary use of credit and the development of typical operations on the interbank market.

To understand the process, be considered some of the moments already covered. To examine the conditions under which compensation at participating banks are in a position to procure resources to meet the requirements arising from compensation. Firstly, the balance of compensation does not arise from an act of will of the bank, but is a result of transactions ordered by customers in conjunction with bank payment decisions made by the bank customers that their accounts with other banks.

A bank with the same level of deposits, the size of the monetary receipts and payments to clients may be surplus or deficit in the day, vis-à-vis other banks. If I note with P and receipts and payments can have a bank:

- A surplus situation, when $I > P$;
- Or a loss when $I > P$.

For each day, the situation may be different, depending on the flow of receipts and payments of the bank concerned.

So the deficit or surplus is a monetary phenomenon arising from acts normal, but uncorrelated with bank clients and bank partners acts of bank customers, which is also the bank can not provide.

In conclusion, the bank must deal with a situation where poor, a short transient phenomenon. And the inverse are actually the same character.

Thus, the natural spring resources deficient banks may even be participating in the clearing banks, which were also, unexpectedly, surplus, with the same short.

It is natural to be here for a credit market with a typical operation. The main characteristics of money market is drawn from Professor Caesar Basno in his manual "Currency, credit, banks'

- Participants in the money market are banks;
- Transactions are subject to availability in the central currency, deposits in the Bank of issue;
- Transactions are conducted daily;
- The terms for granting loans are very short, with most having due the next day;
- Loans to money market is personal loans from a bank to bank, usually involving low risk;
- Carried interest on the money market is fixed daily by the game of supply and demand.

Relations from the bank at the bank reflect the relations between banks and enterprises, both relations of credit (for granting and reimbursement of loans) and relations settlements, the movement in all its magnitude. Money market plays therefore a crucial role in the redistribution of deposits in the national economy.

Agencies are in search of assets provides cash to those who are looking for uses for their cash. Some operations are not explicitly support. Meet operations in white (blanc I) operations remission liquidity that is made without consideration, without warranty. Unique is their basic trust in the debtor. However, the most common operations are based on debt. These securities are subject to disposal firm, in which case they are finally sold, or subject to pressure.

The known technical trade credit claims is discounting operation.

Discounting bills of exchange represents the transfer to another beneficiary instead of the current bills.

Need this operation occurs when the recipient bills (which follows the maturity to collect the full value of the claim) with urgently needed cash, give this right to claim the right bank. Following discounting, he is entitled to receive the present value of the bills are calculated:

$V_a = V_n - S$, where:

V_e - the actual value of bills;

V_n - the nominal value of bills;

S - Discount and interest for the period from discounting to maturity.

Discounting has the following features:

- Transfer by discounting bills of exchange is the act of sale - purchase, in the sense that it is give and take the benefit of the amount provided in the bill;
- Discounting bills of exchange is a special in the sense that each of the beneficiaries who have resorted to discounting and so snapped priority bills remains obligated to pay the amount of bill, as the drawee or other participants in the bills could not pay .

Is thus a feature specific, joint and several liability of all the signatories bills to pay that amount;

- Discounting bills of exchange is a transaction by lending that refers to the transfer of an instrument of credit, and that determines the placement of credit to a bank on a given period, with interest on the insurance receipt.

With discounting, the loan turns into a commercial bank loan. Following discounting beneficiary out of the credit previously held the obligation to pay is replaced by actual money, the banker his moves. On the other hand, drawn, initially employed in a commercial discounting becomes the debtor of the bank business. Banks carry bills of exchange and other transactions to protect against risks. Such an operation is the pension.

Pension is the operation by which the bank bills of exchange media that sells the beneficiary, provided redemption by the time he agreed.

Repurchase transactions may be 24 hours, renewable for one term or fixed, for example 7 days.

These operations are carried out, frequently, in dealing with banks and large firms in particular banks. Effects of subject hostels are usually the beneficiary, and buying bank receives a commitment to repurchase issued by the beneficiary and the slip question. Characteristic and other markets, money market mechanism aimed at profit. Intermediaries seek to gain liquidity and lower costs, trying to place them in the form of loans paid as well.

An essential role in carrying out operations in this market plays the current level of interest rates and especially advances of future developments of it. The Operators arbitrate between the maturities of securities and the interest rates on the instruments used. In the past 10 years, the money market has undergone a transformation process by "opening" it. This phenomenon is characterized by what can be offered to all agents who have equity in the short term to provide other staff who need short term liquidity. Opening the money market is a French invention and was manifested as a reaction against excessive compartmenting market money.

Money market has become in France and other countries enterprises accessible, state treasury and all financial institutions. Some of these agents were given the right to issue financial instruments for short-term negotiable.

The new instruments of financial markets itself as:

- Certificates of deposit issued by banks for a minimum amount of 5 million francs on time between 10 days and 7 years. They apply to all holders of cash, including businesses. If certificates of deposit are issued in foreign currency terms, the amount of their minimum and their remuneration, are freely negotiable;

- Tickets are Treasury securities that provide access to the money market businesses as creditors. They have the same minimum (5 million francs) and the same time, between 7 days and 10 years. These are negotiated through banks, securities houses and agents interbank market;

- Negotiable Treasury bills represent a new category of public securities issued for 7 years. They aim at the big holders of cash and substitute other bonds issued by now. These securities are issued by tender from the Bank of France and are guaranteed by it;

- Negotiable receipts of financial institutions bonds are reserved specialized banking financial institutions, as agency and non-entrepreneurs such as credit National credit Funciar etc.. and guaranteed by the Bank of France. Are placed and negotiated tickets as treasury businesses and are issued for periods between 10 days and 7 years;

- Bonds of financial companies and securities houses. Have the same characteristics as other securities issued by financial institutions.

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