

LESSON 01

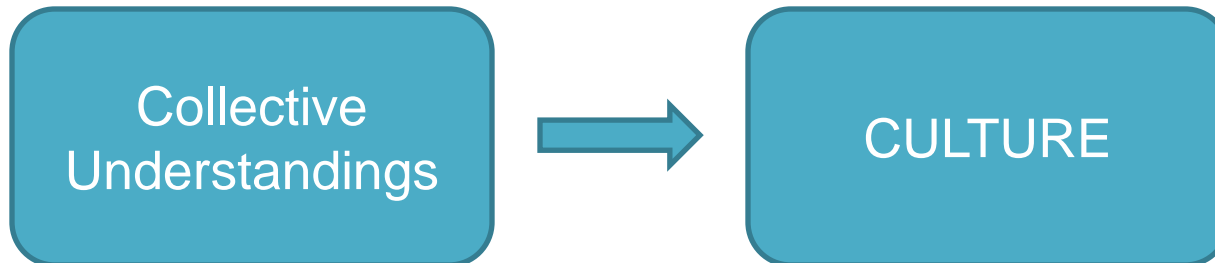
Introduction to Market Structure

Market Fundamentals

The basic questions on markets:

Q: What is a market?

A market is nothing more than a system of shared rules which can be laws or **collective understandings** held in place by custom or explicit agreement.



In financial markets, how the rule systems are maintained defines the structure of the market

OTC vs. Exchange Based Systems

The two dimensions of financial markets are:

Structure	OTC Over the Counter	Exchange Systems
Rules	Principle Based	Rules Based
Trading	Bi-lateral	Multi-lateral
Settlement	Mostly Bi-lateral	Centrally Cleared
Products	All Products	Equities, Futures, Options, Listed Derivatives

How can a product in an exchange market trade OTC?

Why would a market participant want to trade an exchange product OTC?