

An Appraisal Of The
CURRENT INNOVATIONS
In The
MONEY & CAPITAL
MARKETS

Lee K. Costello

ARTHUR
ANDERSEN
& CO.

49 St. Stephen's Green, Dublin 2.
Telephone: 765821 Telex: 25437

INTRODUCTION

As the topic for this essay, "An Appraisal of the Current Innovations in the Money and Capital Markets", is extremely broad, my discussion shall also be broad ranging. For the first part of the essay I focus on recent events in the City of London, starting with an introduction to financial markets, then looking at the forces that have brought about the current 'innovations'. I choose to focus on British financial markets for the bulk of this essay for three reasons:

- A. It has recently undergone major changes.
- B. A large amount of documented information is available on these changes.
- C. Irish financial markets are closely linked to developments in the British markets.

Having discussed current innovations I turn to look at some longer established innovations such as the Unlisted Stock Market, the Futures market and the Business Expansion Scheme. This leads on to a brief look at some topical issues in financial markets. At this point I look at the case of Ireland in detail, at some traditional aspects of the Irish financial markets and at recent innovations and their effects. The essay concludes with my appraisal of deregulation, current innovations, internationalisation of markets and Ireland's situation.

Throughout this essay I use the term innovation to refer to new responses to changing conditions in markets. These responses may take the form of financial regulations, new bodies or indeed new markets.

FINANCIAL MARKETS

"Financial markets are arenas where financial instruments change hands."

C. Geisst 1.

Financial markets have a unique function. They are analogous to a central nervous system for the whole economy. The financial system exists to facilitate activities in the rest of the economy from which it draws its income and its profit. Financial markets is the collective term given to the following markets.

