

**“CHARACTERISTICS AND FUNCTIONING  
PRINCIPLES OF MODERN FINANCIAL  
MARKETS” by Miloš Grujić**

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The research work of Miloš Grujić in the field of financial markets is capitalized with a scientific monograph which, based on personal experiences, critical reviews and observations of experts, gives a broader view when it comes to the principles and patterns of market functioning in different conditions. Appreciating the author's experience in the field of investments, this book provides a quality framework for analysis when making decisions and investments here and abroad.

The majority of the population often finds themselves in a dilemma of how to save and how to invest their money today. In this regard, the author rightly raises the question of how much we as a society know about all of the above, and through the analysis of interest rates, ways of forming the prices of financial instruments through risk factors, he comes to the characteristics and principles of the functioning of modern financial markets, as is the title of the monograph. According to the author, a successful analysis of financial instruments is a prerequisite for any investment, but it is important to simultaneously know the theoretical foundations of the capital market for making decisions and forming a financial portfolio and analyzing investments in financial instruments and a portfolio of financial assets. The second goal refers to the practical implementation of the obtained results, that is, the presentation of investors. Accordingly, the purpose of this book is to familiarize readers with the basic principles of the functioning of financial markets.

In the *first chapter*, the author gives the characteristics of the financial system, and through the divisions of financial systems, he

determines the emphasis on the money market and the capital market. The saving function, the liquidity function, the payment function, the political function, the welfare function, the credit function, and the risk management function are detailed if the condition of the efficiency of the financial system.

The ***second chapter*** is dedicated to the importance, type and division of financial markets through the presentation of their peculiarities. This chapter approaches the first known financial crises with an emphasis on the first “real” financial crisis - tulipomania. Inevitably, the author also explains manipulations, affairs, frauds, as well as factors that condition the strong development of financial markets. Interestingly, in this chapter, the author also sees room for approaching the analysis of cryptocurrencies and their application in international exchange, as well as the possibility of abuse. Today, the cryptocurrency market is attracting exceptional attention, and this segment gives the monograph additional importance. The chapter ends with the regulatory functions of the state in market institutions, which is particularly important for market stability and resilience.

The characteristics of the modern financial market as the ***third chapter*** shows the functions and divisions of the market and operations in the financial markets and deals in detail with different types of efficiency. Special attention is drawn to the perception of gambling investments shown through the difference between gambling and investing.

In the ***fourth chapter***, the author pays attention to investors and users of capital with the view that “one cannot draw a line between participants in the money market and the capital market because all participants appear as buyers and sellers of both short-term and long-term securities”. The chapter also deals in detail with the role of the Central Bank as the creator of monetary policy and deals with the regulation and supervision of the work of commercial banks. The chapter further contains specialized financial institutions, broker-dealer companies, investment funds, pension funds and others. Many will recognize the last part of the chapter under the name “concerns of happy people” and recall numerous situations when deciding whether to invest in a certain type of optional insurance.

The ***fifth chapter*** deals with stock exchanges and stock exchange financial institutions in Bosnia and Herzegovina and represents one of the more comprehensive brief presentations of the history of stock exchanges, the establishment of investment funds in entities and the volume of trading.

The contemporary money market, that is, the *sixth chapter*, is the chapter that can be characterized as the most theoretical and the most desired by students on the exam if they are preparing for the exam in a campaign style. The plastic description used by the author helps beginners to understand and remember the differences in types of money as well as the determination of interest as the price of money.

The *seventh chapter* deals with the contemporary capital market through the types and objectives of the capital market.

The *eighth chapter* through the issue and valuation of financial instruments. Here, the author pays attention to assessment methods and mentions the cash flow discounting method as one of the most commonly used.

The *ninth chapter* talks about the discounting of cash flows through the rate of return and the cost of borrowing. The chapter also highlights the phenomenon of restrictions on small exchanges where there are many securities that are rarely or never traded.

The *tenth chapter* deals with the analysis of debt securities by emphasizing the difference in nominal (coupon) yield, current yield and yield to maturity. Also, this chapter brings consideration of the relationship between price and yield when investing in bonds as an important determinant of yield when investing. and rebalancing bond markets.

The author dedicates the eleventh chapter to credit derivatives through the characteristics of credit derivatives and their advantages. The functioning of credit derivatives is explained using the examples of options, forwards and futures. In addition, there is a special focus on the risks of investing in credit derivatives.

In its conclusion, i.e. the perspectives of financial markets, the low level of financial literacy and general knowledge of financial markets is cited as a limiting factor. The author attributes the presence of small shareholders to the consequences of the privatization model, and not to the consequences of investment and inclusion in the financial markets, which would certainly lead to direct market development. The size and manner of establishing the capital market in Bosnia and Herzegovina are difficult to compare with the markets of developed countries, but the author sees in it certain opportunities when it comes to avoiding limitations and mistakes that developed markets faced. The author sees the domestic capital market and financial system as largely in line with the regulations and practice of the developed EU capital market, and concludes that our stock markets need potentially good investments. It

also emphasizes the easier attraction of domestic investments because “*they already have the country risk calculated*”. Encouraging domestic investors is certainly one of the most significant conclusions and at the same time an imperative that awaits us on the way to stabilizing and revitalizing the financial system.

Recalling the limiting factor of the low level of financial literacy of the population, this monograph can play a significant role if the author and publisher find a way to present and distribute it in a quality way. The A4 format was chosen for the reason of clearer presentation of numerous graphs (63) which, along with 31 tabular views, provide a more complete view of the above. Considering that it is a scientific monograph that is divided into eleven chapters, the book can also be used as basic literature in study programs in the scientific field of economics and business in financial markets courses.

The book was printed in a circulation of 300 copies, and the publisher is the Association of Economists of the Republic of Srpska “SWOT”. The reviewers of the scientific monograph are *dr. Mirjana Stojanović Trivanović*, *dr. Goran Radivojac* and *dr. Dražen Marjanac*. The publication was co-financed by the Ministry of Scientific and Technological Development and Higher Education of the Republic of Srpska.