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## Characteristics of Securities in the Financial Market

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**Abstract:** The form of a security has a number of details (characteristics), many of which are legally required for the corresponding type of securities. These characteristics are usually opposite in pairs, and therefore securities can be classified depending on which characteristic of the corresponding pair they meet. The combination of all these characteristics forms the differences between one type of security and its other types.

**Key words:** stock market, securities market, market economy, joint stock companies, economic sectors, market functions.

**Introduction:** Securities are characterized by formalization: for each security, a list of rights certified by it, mandatory details, the form of the security and other requirements are established by law.

The following classifications of securities are generally accepted.

Documentary and uncertificated securities. According to the legal form of existence, securities are divided into:

- documentary (“paper”) - securities issued in the form of a document;
- uncertificated - securities that exist in the form of records on tangible (computer, electronic) media, the procedure for the implementation of which is regulated by the state.

The paper form is historically the first form of existence of a security. The development of the securities market leads to the fact that an increasing number of their types already exist in non-documentary form. In the book-entry form of a security, it is associated with its belonging to issue-grade securities.

### Main part.

Securities registered and bearer.

According to ownership (form of ownership), a security can be:

- bearer, or bearer security, the rights under which belong to its bearer;
- registered - this is a security, the rights to which belong to the person named in it.

A registered security, in turn, depending on the method of transferring rights under it, is divided into two legal subtypes:

- a simple registered security is a registered security, the transfer of rights under which is carried out under an assignment agreement; legally, it is a simple registered security that is called a registered security;
- an order security is a registered security, the transfer of rights under which is carried out by making an endorsement on it - an endorsement.

Assignment and endorsement are two forms of assignment of the rights of the creditor or, in this case, the rights of the owner of the security (investor). Their main difference is as follows.

An assignment is a bilateral transaction, or agreement, between the old and new owner of a security. In the case where the assignment of rights is carried out for money, the assignment agreement takes the form of a purchase and sale agreement.

Endorsement is a unilateral transaction, that is, an order in accordance with which the previous owner of a security appoints its new owner.

A bearer security does not record the name of its owner, and therefore its circulation is carried out by simple transfer from one person to another.

There are restrictions on the issue of securities of one or another legal type in bearer or registered forms. In the USA, for example, the issue of bearer bonds is not allowed. However, theoretically, any security can be either registered or bearer, since this is an external characteristic in relation to the property right it expresses.

Fixed-term and perpetual securities. According to their lifespan, securities are divided into:

- term securities are securities whose lifespan is limited in time according to the terms of their issue. Many of the securities issued have predetermined maturity dates;
- perpetual - securities for which there are no time limits established by the terms of their issue. The classic type of perpetual securities are shares. The perpetuity of a security means that the payment of, for example, income on it has no time restrictions, and its life is limited by the life of the issuer of these securities (for example, shares).

The division of securities into fixed-term and perpetual refers only to securities of specific issuers. In a historical sense, securities always exist for a limited period of time and are not "eternal".

Future securities, as securities that have a circulation (validity) period established upon their issue, are usually divided into three types:

- short-term - securities with a circulation period of up to 1 year;
- medium-term - securities with a circulation period of over 1 year to 5-10 years;
- long-term - securities with a circulation period exceeding 10 years.

At the same time, in world practice there are securities issued for terms of up to 50 and even up to 100 years.

There are also securities that occupy, in a sense, an intermediate position between fixed-term and perpetual. These include so-called callable securities - for example, callable bonds.

A callable security has an expiration date, and from this point of view it is a fixed-term security, but its issuer or investor has the right to terminate it early when it seems beneficial to them.

Emission and non-emission securities.

All securities can also be divided into emission and non-emission.

An issue-grade security is simultaneously characterized by the following features:

- consolidates a set of property and non-property rights that are subject to certification, assignment and unconditional implementation in compliance with the form and procedure established by law;
- posted in releases;
- has equal volume and terms of exercise of rights within one issue, regardless of the time of acquisition of the security;
- each issue of equity securities is subject to mandatory state registration, which is expressed in the assignment of a state registration number to it.

Typical representatives of equity securities are stocks and bonds.

Non-issue securities do not have all of the above three characteristics. Non-equity securities include certificates of deposit and savings certificates, bills of exchange, checks, and shares.

Issue-grade securities usually include the most important securities for the market, representing capital, and also issued in large quantities, that is, affecting the interests of a fairly large circle of market participants. State registration of a security issue is a form of expression of a certain interest in it on the part of the market, but it requires significant time and costs on the part of the issuer. For this reason, state registration is mandatory for the issuer of issue-grade securities: he does not have the right to choose whether to register the issue or not to register.

There is always some competition in the market between the issue of emissive and non-equity securities when it comes to raising capital. A non-equity form of raising capital is possible by issuing bills, investment shares, etc.

Nominated and unnominated securities. Depending on the availability of face value, securities are divided into:

- nominated, that is, having a nominal value, or face value, in monetary terms;
- unnominated - having no nominal value.

Legally, the par value of a security, or par value of a security, is the absolute monetary value fixed in a security when it is issued. This may be the amount of money that the issuer undertakes to return to the investor upon redemption of a debt security, or from which the investor's own (authorized) capital as a legal entity is formed.

Investment securities must have a par value, except for securities representing shares, which include investment shares and mortgage participation certificates. The no-nominal nature of share securities results from the fact that the amount of value actually transferred by the investor to the issuer of the share and back fluctuates over time, and therefore it cannot be fixed as the legal face value of the share, either in absolute or relative terms.

For debt securities, the absence of par value in absolute terms is completely impossible, since this contradicts the essence of the debt relationship itself.

Government and corporate (non-government) securities. According to the legal type of the issuer, securities are divided into:

- state securities - these are securities the issuer of which is the state represented by its authorized bodies;

➤ corporate (non-state) - these are securities whose issuers are commercial organizations.

This classification requires significant clarification for two reasons. Firstly, the concept of state in Russian legislation does not cover municipal authorities, which have the right to issue securities.

Secondly, securities can theoretically be issued (issued) by citizens, for example, bills of exchange, and not only by legal entities in the form of state or commercial organizations.

Therefore, it is legally more strict to divide securities into state and non-state, which in this case include securities not only of commercial organizations, but also of individuals and municipalities.

Government securities usually include various types of bonds issued by the government. Corporate securities are issued by joint stock companies, banks, investment companies and other commercial organizations.

National and foreign securities. According to nationality, securities are divided into:

- national (Russian) - these are securities issued by national issuers;
- foreign - these are securities issued by foreign issuers or issuers located in other countries.

In theory, both national and foreign securities can be traded on the market of each country, but only Russian securities are traded on the national market. At the same time, the state and national companies can issue securities that are traded both on the national state and on the markets of foreign countries.

Consequently, the nationality of a security does not answer the question of which market it is traded on - domestic or foreign.

### Conclusion:

Any market, including the securities market, presupposes the free purchase and sale of goods available on it, including securities. Therefore, marketable securities are the predominant type of securities. But in a number of cases, the issuer can issue securities needed by market participants with restrictions on their free disposal to third parties.

For investors, the classification of securities depending on the opportunities that they open for them as financial instruments is of great importance. From this point of view, all securities can be divided into three types:

1. Debt securities (bills, bonds, which, as a rule, have a fixed income).
2. Equity securities (shares, shares), the income on which is not determined.
3. Derivative securities (options, futures, warrants).

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