**Video Title:** The Financial System

**Video URL:** <https://vimeo.com/110998110>

**Running Time/Source:** 7:53, Investment Academy/Vimeo

**Close Caption Available:** No

This video discusses the financial system comprised of surplus units (who are lending their savings funds) and deficit units (who are borrowing funds by issuing primary securities to the financial market). Direct financing and investment occurs between surplus and deficit units. A financial intermediary provides indirect financing by issuing indirect securities (e.g., a bank deposit account). Borrowers pay an interest rate as a cost of funds. Lenders consider the risk and return of their loans. Financial intermediaries can be banks, insurance companies, pension funds, and other investment schemes (e.g., unit trusts and hedge funds). They facilitate the flow of funds from savers to borrowers. Financial market participants include brokers, dealers, fund managers, financial advisors, regulators, financial exchanges, rating agencies, and others.

Questions:

1. What is direct financing?
2. What is indirect financing?
3. What do lenders consider when they loan funds to borrowers?
4. What is the function of financial intermediaries?
5. What are some kinds of financial intermediaries?
6. What are other financial market participants?