

**INTESA SANPAOLO PROJECT  
FINANCIAL EDUCATIONAL/INFORMATION PROJECT  
"FINANCIAL INSTRUMENTS"**

Milan, 2 August 2018

**FINANCIAL INSTRUMENTS**

---

# LaFabbrica

When we decide to invest our savings, financial instruments can offer us an additional source of income. The range of financial products is wide and the saver can choose how to direct his investments, after having assessed the level of expected return, bearing in mind that the higher the yield, i.e. the assumed gain, the greater the "risk", i.e. the possibility of losing one's savings. ([link to What is risk? Video](#)).

## Financial investment products

The investment savings products are in effect *credit instruments*, that is documents that identify us as creditors, in this case the paid sum that we have invested. There are various families of investment products, more or less risky. The main ones are below. Today, the financial market is very diversified and, on the website of your bank, you can discover other investment opportunities. ([link The financial market Video](#)).

**Shares**: unitary, identical and homogeneous individual portions, in which the capital of the companies SpA - joint-stock companies - listed on the Stock Exchange is divided. Those who buy the shares acquire, at the same time, the status of a shareholder. The shares are divided into various categories: ordinary shares, preference shares, savings shares. The place where they trade is the stock market, the Stock Exchange;

**Bonds**: represent a portion of the debt that a company/enterprise or a public body activates to finance itself. Guarantee to the holder, who acquires the status of obligee, a repayment of the capital plus the interest provided for in the contract ([link What is the interest rate Video](#)).

## Shares and bonds: what is the difference?

Shares	Bonds
Debt instruments	Debt instruments
Equity in venture capital	Equity in a debt
The shareholder is a partner	The bondholder is an obligee

# LaFabbrica

Shares	Bonds
The share is a portion of the share capital	The bond is a debt that involves the return of the capital + the interest accrued
Income (dividend) is variable and uncertain, but higher returns are expected from these products	Income (interest) is fixed or predetermined. In the event of a bankruptcy of the issuer, the bond may not be repaid at all or only in part
The life of the share coincides with that of the company that issues it	The bond has a fixed expiration date

**Government bonds.** These are the obligations that the Ministries of Finance of the various Countries periodically issue on behalf of the State to finance the public debt or its own deficit ([link What are government bonds Video](#)).

**Mutual funds:** are financial instruments managed by companies specialized in diversifying invested savings. They collect the capital of big and small savers by uniting them into a single asset. They are divided into unitary parts, called quotas, which guarantee equal rights. These investments are on average safer, guaranteed by a certain diversification in the composition of the securities, by an asset management made by professionals.

## **More information...**

**Derivative contracts.** They are called thus because they are a category of products that "derives" from another. Their value depends therefore on the performance of another financial or real asset - a variable called underlying - represented by shares, interest and exchange rates, raw materials - oil, cocoa, coffee, gold... These are highly risky ([What is risk Video](#))

# LaFabbrica

## **The Stock Exchange**

The stock exchange is the place where stocks are traded, in a broad sense it is the financial market where securities, currencies are traded ... With the telematic exchange market, trading takes place directly online. The Bratislava Stock Exchange's birth was recent. It was established in 1991 and became operational in 2001. Since 2008 the National Bank of Slovakia (NBS) has decided to adopt the MTF - Multilateral Trading Facility system, a mode of bargaining - often online - an alternative to the Stock Exchange to match the investment and supply demand.

### ***More information...***

*Stock exchange indicators. These indicators express the trend of a basket of stock securities of the main companies and enterprises listed on the stock exchange in a given country. The Slovak indicator is the Sax, whose basket comprises the main bonds of Slovak enterprises, companies and banks.*

**Supervisory and control bodies.** The financial market is overseen by control bodies. At European level the ESMA (European Securities and Markets Authority) has been in place since 2011. In the individual countries control has been entrusted to the Ministries of Economy and Finance, to the Central Banks - in charge of risk containment and the stability of the assets - and to other specific bodies. In Slovakia, since 2006, the Central Bank (NBS) has also assumed supervisory powers over the securities and insurance sectors.

## **Who helps the saver to choose the most suitable product?**

The relationship of the saver with his Bank must be based on trust. Each bank provides its clients with an expert financial consultant who has the task of directing choices in the "jungle" of financial products, explaining their characteristics, and risks, indicating the most suitable for the needs

# LaFabbrica

of the individual investor, defining the best strategies together with the client. In general, savers should rely on the financial advisor and give preference to diversified investments for their savings, in order to protect themselves as much as possible from risks.

Also in the field of investments, banks provide practical applications for Smartphone, with which savers can anywhere in real time monitor their investments, follow quotes, and buy and sell securities. Also in this case, security and privacy are guaranteed by access systems, with code or with a digital fingerprint.

*More information...*

*In 1929 a famous financial crisis was provoked by a fast-paced rise in prices concerning the US stock market. With the collapse of the securities, the shareholders ran to the banks to withdraw the cash. It was the first crisis that, born in a Country, had major global repercussions and showed the interdependence of financial relations between Countries.*

## **About Government Securities**

How to evaluate the soundness of the securities issued by the State, public bodies, companies? The rating assesses its reliability and soundness. This is carried out by special agencies (e.g. Standard & Poor's) that express their valuation in letters. ([Link What is rating video](#))

The lower the rating scale the greater the risk for savers and consequently confidence in the securities issued by a given country, measured by the spread, a "thermometer" that compares the performance of the Government Securities of a Country with that of the Government Bonds of another Country, in Europe the German Government Bonds. When the spread increases, it means that the markets do not trust and demand more interest. ([link video What is the spread](#))

*More information...*

# LaFabbrica

*In June 2017 Slovakia, the first of the central and eastern European Countries, issued 50-year sovereign bonds. These securities were sold in few hours. Who were the buyers? Austria and Germany (42%), the United Kingdom (19%), Italy and Spain (19%) ... Half of the buyers were fund managers, insurance companies and pension funds, private banks.*