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Approaches Concerning the Evaluation of Financial Market in Terms of Fund Transfer and Competition

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Abstract: *The financial market plays a key role in stimulating economic growth, private sector performance and influences the welfare of society. In specialized literature, the concept of financial market is defined differently. Financial experts analyze financial markets in terms of the role that they play in the transfer of funds from those who have a surplus to those who have a need of financial funds. The importance of financial market becomes crucial in the situation where the private sector is increasingly facing the lack of financial resources for economic development and public sector is characterized by a high level of public debt and there is a need to identify urgent measures for redressing the situation concerning sovereign debt. In terms of competition, the financial market is assessed in order to identify the competitive constraints and to prevent anti-competitive practices and dominant position of the financial institutions. Taking into account, the importance of financial market for economy, the EU legislation analyzes this market as a distinct sector that requires special regulations. In addition, financial market analysis involves the determination of the concept of the relevant product market and relevant geographic market, which is the first step in assessing anti-competitive practices.*
Keywords: *financial market; competition; finance; relevant market; relevant product market; relevant geographic market*

Introduction

Today, the financial market is very important for the global economy and business environment dealing with limited financial resources, exchange and interest rate volatility. An example in this context is the dependence of the enterprise profitability on financial market characteristics. Thus, the production of a competitive product and developed commercial networks don’t ensure profit maximization if the company has financed the product under a long-term loan with a variable interest rate and interest rate over a specific time and exchange rates change significantly. Simultaneously, the presence of a healthy competitive environment in financial markets is a factor of progress which has a positive impact on economic activity of businesses, individuals and state. Also, stimulating competition and preventing anti-competitive practices in financial market are one of state levers to ensure sustainable economic growth. Analysis of the concept of financial market emphasizes different approaches of financial and competition experts and taking into account its importance at the moment need to be analyzed in detail.

1. Approaches Regarding Financial Market in Finance

The financial system of an economy consists of three components: financial markets; financial intermediaries (institutions) and financial regulators. Financial intermediaries are responsible for the intermediation of funds and they are the key players in the financial market. The financial regulators are in charge with monitoring and regulating the participants in the financial system.

The financial market can be defined as the place or all communication means that facilitate the purchase and sale of financial instruments at a price fixed by supply and demand and it is influenced by economic, financial, monetary, psychological and technical factors. Financial market includes all institutions and procedures that facilitate the transfer of funds for short, medium and long term from entities with a surplus to entities with a deficient through issued financial instruments.

Also, financial market shouldn't be analyzed as a separate entity with a precise location, but as a set of organized markets, each of them trading different types of securities for different segments of customers located in different regions [8]. The major market players are household, governments, nonfinancial corporations, depositary institutions, insurance companies, asset management firms, investment banks, non-profit organizations and foreign investors.

In a narrow sense it is considered that the financial markets are fully identified with capital markets. However, it mentions the existence of a relationship of subordination between capital and financial market. Therefore, the Anglo-Saxon concept says that the stock market is part of the financial market and it means both transactions in long-term securities and short-term money market instruments. French literature specifies that capital market includes financial market seen as a long-term financial securities market and money market, representing short-term securities market.

The French concept rationale is based on the observation that in both markets, the subject of negotiations is the same - the capital used to fund the economy, the only difference is the duration of the operation [8].

In finance, financial market is analyzed in terms of the functions which it performs in transfer of financial resources in order to ensure funding entity's deficits by the entities that own funds available for investment. The need for financing of the businesses, banking institutions and state is covered by population savings. The decision to invest the excess of income in financial markets is the result of comparing this investment to other equity investments, for example term deposits in bank accounts or purchase of foreign currency.

Also, activities undertaken in the financial market influence the restructuring and reorientation of economic sectors by investing funds in profitable enterprises, facilitating the purchase of a company by another entity which maintains the activity or modify it. The financial market activities express the national economic barometer, which is suggested by price trends of financial securities, market trends. Price resulted from the correlation of supply and demand shows the issuer's financial and economic situation, so the financial market (capital) gives the signal about increasing or decreasing pressure on the securities. Other functions of the financial markets are related to reducing investment risk and facilitating the gain of profit.

1.1. Classification of Financial Markets in Financial Literature

The financial markets are classified according to different types of criteria. The most popular ways of classifying financial markets are according to financial instruments they are trading, features of services they provide, trading procedures, key market participants, as well as the origin of the market.

According to country origin, the financial market consists of the internal market and external market. The internal market, also called national market can be split into two parts: the domestic market and foreign market. The domestic market is where issuers domiciled in the country issue securities and where those securities are subsequently traded. The foreign market is where securities are sold and trade outside the country of issuers. The external market is the market where securities are offered simultaneously to investors in a number of countries and they are issued outside the jurisdiction of any single country.

Furthermore, financial markets can be classified into cash market and derivative market. The cash market, also known as the spot market, is the market where financial instruments are purchased and sold immediately. The derivative market is a type of financial market where financial instruments are contracts that specify that the contract holder has either the obligation or the choice to buy or sell another something at or by some future date. The subject of the contract is called the underlying asset. The underlying asset is a stock, a bond, a financial index, an interest rate, a currency or a commodity. Because the price of such contracts derives their value from the value of underlying assets, these contracts are called derivative instruments [11].

If a financial instrument is first issued, it is sold in the primary market. If financial instruments are resold between investors, it is done in the secondary market. In the secondary market, no new capital is raised by the issuer of the security, trading takes place among investors. Secondary markets are also classified in terms of organized stock exchanges and over-the counter markets. Stock exchanges are central trading locations where financial instruments are traded. In contrast, an OTC market is generally where unlisted financial instruments are traded.

At the international level, the financial market is the place where supply meets demand for short, medium and long term capital, organized in international centers where agents operate irrespective of nationality using different currencies. The international financial market consists of the following components: Eurobonds market; international equity market; Eurocredit market; euroderivates market [7].

Also, the financial market can be classified into money market and capital market [11]. The money market includes financial instruments that have a maturity or redemption date that is one year or less at the time of issuance. These are mainly wholesale markets. The capital market is the place where long-term financial instruments issued by corporations and government are traded. The term "long-term" refers to a financial instrument with a maturity greater than one year and perpetual securities. There are two types of capital market securities: equities - shares of ownership interest, issued by corporations and bonds - that represent indebtedness, issued by corporations or by the state and local government.

Another financial market structure can be seen in terms of the organization of financial market regulation and supervision. In this context, for countries that have adopted a surveillance system with dispersed structure, can be identified different segments of the financial market depending on the existence of a supervisory entity: bank market; capital market; insurance market; pension funds market.

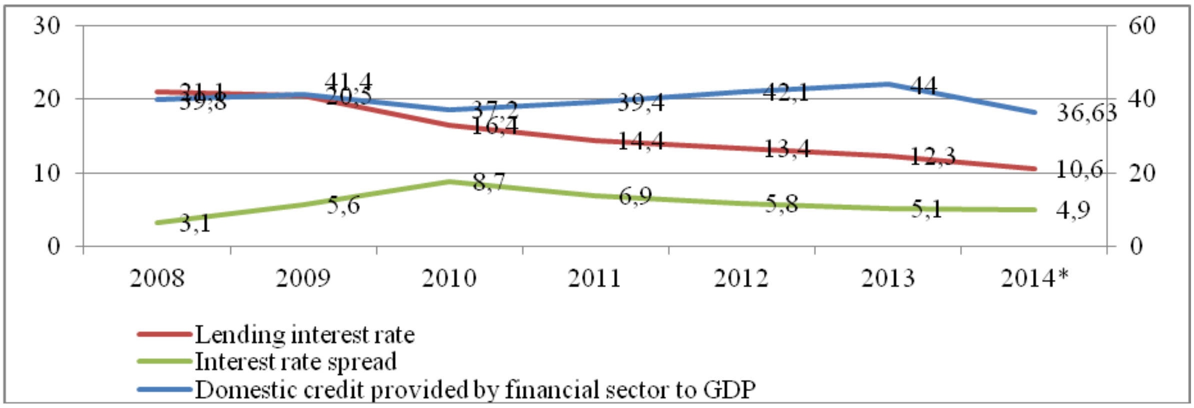
1.2. Analysis of Financial Market of Moldova According to Financial Theory

The financial market as part of the finance field is important because of the influence of economic development. Taking into consideration that one of the basic functions of the financial market is the transfer of surplus financial resources to those who face the lack of resources for developing, in 2014 some segments of the financial market of Moldova has recorded the following statistical results.

The securities market in Moldova. In the primary market of Moldova in 2014 were made 62 issues of shares amounting to 1249, 6 mil MDL, registering an increase of 299.5 MDL or 31.53% compared to the same period of the previous year. Also, in 2014 foreign investment flow amounted 843,2 mil MDL or 67.5% of total securities issued, increasing by 353.6 mil MDL compared to the previous year. The main investors in the securities market of Moldova in 2014 were from the Netherlands (46.21%); Italy (26.95%) and Romania (15.2%). On the secondary market in Moldova in 2014 were performed 4412 securities transactions amounting to 1307,8 mil MDL, recording a 23.6% decrease compared to the previous year. In December 2014, the share of stock exchange transactions represented 39% of total transactions on the secondary market and 61.0% were the OTC.

Loan and deposit market of Moldovan banking sector. The total loan balance provided by the banking sector to the economy in 2014 amounted 40 841.98 mil MDL, decreasing by 1335.3 mil MDL compared to 2013. Analyzing the structure of the loan portfolio, we can find that in 2014, 85.5% of total loans (34922,9 mil MDL) were extended to legal entities and 14.5% (5919.1 mil MDL) to individuals. At the same time, loans in local currency represented 60.2% and loans in foreign currency – 39.8%. The total deposits accepted by the banking sector in 2014 in national currency amounted 31388.6 mil MDL and in foreign currency - 34073.9 mil MDL. Simultaneously, 45.2% of the funds attracted in the form of deposits in national currency were owned by legal entities, including bank deposits – 5424,2 mil MDL and 54.8% were owned by individuals. Regarding the funds attracted as deposits in foreign currency, 71.5% were time deposits and 28.5% - demand deposits of total amount.

In 2014, the share of loans provided to the economy by the banking sector was equal to 36.63% of GDP, decreasing by 5.37% compared to the previous year. Also, in 2013 the share of bank loans was 42.0% of GDP. The contribution of loans provided to the economy to GDP, the evolution of lending interest rates and interest rate spread in 2008-2014 are shown in the figure below.



Note: *- The loan share to GDP for 2014 includes only the banking sector

Figure no. 1. Evolution of the loan share to GDP, lending interest rates and interest rate spread in 2008-2014 (%)

Source: developed by the authors based on the World Bank reports [12].

Analyzing the period 2008-2014, it highlights a downward trend in the evolution of lending interest rates in local currency, recording a decreasing from 21.1% in 2008 till 10.6% in 2014. Simultaneously, the average interest rate on deposits in national currency decreased by 1.51 percentage points in 2014 compared to 2013 and recorded - 5.72% in 2014, while for deposits in foreign currency the interest rate was equal to 4.19%.

Also, the interest rate spread for operations in national currency decreased by 0.16 percentage points compared to 2013 and was equal to 4.87%. In 2008, the interest rate spread recorded the lowest level - 3.1%, and subsequently increased in 2010 reaching the level of 8.7% and since 2011 the interest rate spread had reduced and recorded a value of 4.9% in 2014.

The net inflow of foreign direct investment in the national economy in January-September 2014 was equal to 144,07 mil USD, which represented 2.4% of GDP. At the same time, the net inflow of foreign direct investment decreased by 23% compared to the same period of 2013. On October 1, 2014, every citizen of the country was granted the amount of 41 USD in the form of foreign direct investment. The figure below represents the evolution of the net inflow of foreign direct investment in Moldova at the end of the third quarter in 2009-2014.

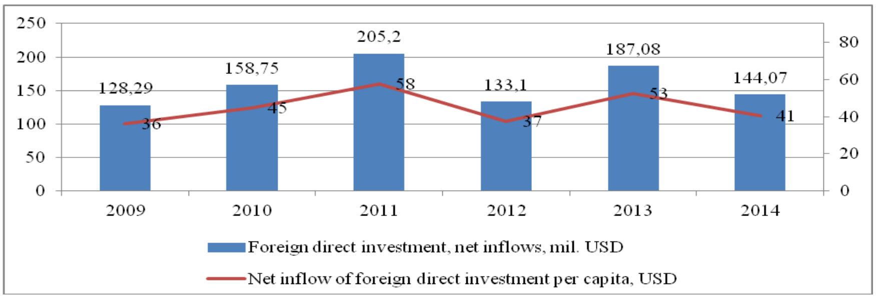


Figure no. 2. Evolution of the net inflow of foreign direct investment in Moldova at the end of the third quarter 2009-2014

Source: developed by the authors based on reports of the National Bank of Moldova for 2009-2014 [13].

According to the figure, during the period of 2009-2014 was registered an uneven trend of net inflow of foreign direct investment in the economy. Thus, the biggest volume was recorded in 2011, when at the end of September the net inflow of foreign direct investment per capita was equal to 58 USD.

At the end of the third quarter of 2014, the FDI stock in the economy was equal to 3647,8 mil. USD, increasing by 0.92% compared to the end of 2013. The share of FDI stock at the end of the third quarter of 2014 represented 61.2% of GDP.

According to the geographical distribution of the foreign direct investment stock in the economy at the end of the third quarter of 2014, investors from the EU countries owned a share of 52.9%, which increased compared to the end of the second quarter due to investments from Italy, Netherlands, Romania, Cyprus and Switzerland. Investors from CIS countries held a share of 11.3% and other countries - 35.8%.

2. Analysis of the Financial Market in Competition

In a market economy, competition is the engine of economic development that leads to increased competitiveness and creates new jobs. In the market, each producer is interested to gain an advantageous position in relation to other participants, so a healthy competitive environment is a factor of progress, efficiency and welfare. In order to ensure a healthy competitive environment, regulatory framework prohibits the activities of unfair competition, abuse of dominant power and agreements between companies that can affect the rivalry between firms.

Analysis of financial market in competition is determined by the key role that it has in boosting economic growth and ensuring the welfare of the society. Thus, it is seen as a place where participants meet and can be both providers and consumers of financial services and competition in the market may indirectly influence the final consumers.

For example, insurance companies, pension funds and banks are capital market participants and big transactions or high costs in the capital market will influence the price paid by the final consumers of financial services. In addition, banks provide payment systems for its customers and other financial institutions, which are widely used.

Furthermore, banks need insurance and insurers need banking services. Simultaneously, with the development of financial conglomerates, different departments of the same company can provide each other financial services. The financial sector is characterized by a complex interdependence and many financial institutions are reluctant to notify anti-competitive practices in order to continue doing business.

2.1. Theoretical Approaches Concerning the Assessment of the Financial Market in Competition

From the point of view of the competition law applied in the European Union, the financial market is a distinct sector, which requires the establishment of specific rules, because it is the driving force of the real economy by providing access to financial products. Moreover, proper functioning of the financial market is directly related to economic growth. According to the European Commission classification, financial market will have the following structure [10]:

- Banking market, where payment services are a separate market, represented by the commercial banks;
- Capital market, composed of stock exchanges;
- Insurance market, which is determined by the activity of insurance companies;
- Social insurance market (e.g. Pension funds).

From the point of view of competition financial market analysis establishes the determination of relevant market where companies provide financial services in order to identify the competitive constraints on the market. In order to identify whether an enterprise has a dominant position, often are used indicators such as the Herfindahl - Hirschman Index and market share. The Herfindahl - Hirschman Index is used to establish the level of concentration and is calculated by summing the squares of the market shares of each company.

For example, in a market with 10 companies of the same size, HHI is 1.000; in a market with five companies of the same size - HHI is 2.000. If HHI is 1.000, the authorities responsible for the protection of competition won't seize; if the index exceeds 2.000, the market will be considered as concentrated. Markets with an HHI between 1.000 and 2.000 are considered to be moderate concentration markets [5].

In the EU legislation on competition, market share is the ratio of the turnover of the products in the relevant market obtained by the enterprise assessed and the aggregate turnover of all the institutions.

Thus, a market share greater than 50% indicates the existence of a dominant position, while a market share below 25% is considered as not being able to raise obstacles for the competition in the market [5].

The aggregate turnover concept relates to the amounts obtained by the companies analyzed in terms of competition law of the sale of products and the provision of services, after deducting sale rebates; value added tax and other taxes directly related to turnover in the preceding financial year.

The European Council Regulation on the control of concentrations between undertakings lists the following income items that are included in the turnover calculation for credit institutions and other financial institutions: interest income and similar income; income from securities (income from shares and other variable yield securities; income from participating interests; income from shares in affiliated undertakings); commissions receivable; net profit on financial operations; other operating income [5].

When calculating the turnover of the undertakings providing financial leasing services, should be taken into account all the payments on financial leasing contracts, except for the redemption part. Also, a sale of future leasing payments at the beginning of the contract for re-financing purposes is not relevant. In case of the operating leases will be applied the general rules of turnover calculation provided in competition law because operational leasing activities are not provided by financial institutions.

In the case of insurance companies, total turnover is equal to the total amount of gross premiums written according to insurance contracts, including any received reinsurance premiums, after deducting taxes levied on the amount of individual insurance premiums or total amount of premiums. This is the sum of premiums earned, including reinsurance premiums received if the undertakings have activities in reinsurance.

The premiums which will be included in the calculation are not only new insurance contracts made during the accounting year, but also all premiums related to contracts concluded in previous years which remain in force during the period taken into consideration. Also, insurance undertakings are required to create reserves necessary for the payment of claims, usually in the form of a portfolio of investments in shares, interest-bearing securities, land and other assets providing annual revenues.

According to the legislation of the Republic of Moldova and the European Union, revenue from these sources is not considered as turnover for insurance companies, except in the form of interest income received from companies in which the insurance undertaking is directly or indirectly involved. The turnover of the undertaking in which the insurance company is involved directly or indirectly should be added to the total turnover of the insurance company, according to art. 24, par. 4 of Competition Law of Moldova, no 183 of 11 July 2012 [2].

In contrast to the Moldovan Competition Council Regulation on the control of concentrations between undertakings, the EU legislation provides an explanation of the calculation of the aggregate turnover for the financial holding companies. According to the provisions, to the turnover calculation of a financial holding company may need to be included also the turnover of the companies pertaining to the financial holding company activities. Initially, it is necessary to calculate the non-consolidated turnover of the financial holding company and then to add the turnover of the companies directly or indirectly involved in holding activities, including deduction of dividends and other income distributed by the financial holding companies.

The calculation of turnover of the financial holding companies is of particular importance due to the complexity of the system, the need to monitor the number and diversity of enterprises controlled and the degree of control exercised by the holding company on subsidiaries, affiliated companies and other companies in which it is shareholder [4].

In 2001, Mario Monti, European Commissioner for Competition, in his speech in Helsinki mentioned about the importance of economic analysis in implementing competition policy, placing the definition of the market at the heart of competition rule's implementation. Moreover, in 1978, French

Competition Council communicated that in the analysis of anti-competitive practices in order to identify the dominant position it is necessary to clarify two issues: what is the relevant market and what does the concentration of power in that market mean represented by market share [9].

The importance of relevant market correct definition derives from the fact that a strict definition of the market will lead to higher market share calculation being overvalued market power of the company. Simultaneously, an overly broad definition of the market will lead to the calculation of lower shares, which will underestimate the market power of the company just because the defined market will include products or geographical areas that don't exert competitive pressure.

Determination of the relevant market in the financial sector involves defining boundaries concerning competition between companies in the sector. Correct identification of the relevant market is the basis for correct determination of anti-competitive impact on the economic environment. In the specialized literature, there are several views on the definition of the relevant market. The most used concepts in the definition of the relevant market, says that it consists of a product or a group of products, along with the geographical area where are sold, so a hypothetical company that aims to maximize profits, may impose a significant and a definitive price increase on the product [3].

The relevant market size is determined by the following competitive constraints on the market: demand substitution; supply substitution; potential competition [3].

Demand substitution. The market boundary is established where there is an obvious gap in the substituent's chain. The analysis of demand substitution will determine the set of consumer products considered interchangeable. The basic test to define the products that are part of a relevant market is the analysis of consumer behaviour to a permanent change of 5-10% of the product price. It is done so until small but permanent price growth would become profitable.

Supply substitution. When identifying the relevant market, it is necessary to take into consideration the supply substitutability. The supply substitution refers to the possibility of the entrepreneur to reorganize its business without incurring additional costs or risks in the production process due to the small variation in prices. Thus, if the entrepreneur makes significant changes to existing tangible and intangible assets, additional investments or strategic decisions, supply substitutability will not be considered.

Potential competition is the third competitive constraint. However, this is not taken into account when defining the relevant markets, since the conditions under which potential competition become an effective competitive constraint depends on the factors and circumstances specific to the market entry conditions. This analysis is carried out in a later stage, once the company's position in the relevant market was determined and this position raises competition concerns.

Definition of relevant market in financial markets outlines three basic elements: product definition, geographic area and period related to determine whether a company can significantly influence the market price. The experience of the European Union is valuable in identifying the relevant market and European Commission regulations focus on the analysis of the relevant product and geographic market.

The relevant product market comprises all those products and services which are regarded as interchangeable or substitutable by the consumer, by reason of a product's characteristics, their prices and their intended use [3].

In determining the relevant product market focus is on demand and supply substitution. Thus, in terms of demand, product market includes the entire range of products/services that prove to be interchangeable or substitutable for consumers.

In terms of supply, product market includes the product or range of products that can be substituted with the product or products already sold on the market. Characteristics and specificities of the analyzed sector are decisive elements in determining the relevant market. Also, once the competition problems were eliminated following the identification of the relevant market, it is no longer a need to continue the evaluation of anti-competitive practice.

The relevant geographic market comprises the area in which the undertakings concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighbouring areas because the conditions of competition are appreciably different in those areas [3].

The size of geographic market is determined using the general indicators on the distribution of market shares of the parties or their competitors and on a preliminary analysis of pricing methods and price differences in the national and regional level.

2.2. Analysis of the Financial Market of Moldova According to Competitive Theories

In the analysis of competition in the financial market it is important to note that the indicators used to reflect the level of market concentration in a economic sector may be used in the context of a relevant market, which is defined in an investigation initiated by the competition authority with a well-defined object.

In the context of present analysis, it was used a top - down approach, so the relevant market concept used in this material is close to the term of commercial market or trade market. At the same time, the financial market includes many financial and credit institutions, a multitude of products and services provided to the consumers, respectively more than one relevant market.

The financial market in Moldova consists of the activities of commercial banks, microfinance organizations, insurance companies, savings and loan associations, pension funds and professional participants in the securities market, etc.

According to statistics, the banking sector continues to hold a dominant position in the financial system of the country. In 2013, the banking sector assets accounted for 93.79% of total financial system assets. Also, in 2014 the assets of the banking sector registered a share of 89.36% to GDP.

From the point of view of competition, the activities of the commercial banks have a direct and indirect impact on the economic environment. Therefore, holding a high market power means the ability of a company to increase profitably the prices, reduce output and the quality of services, diminish innovation and influence other parameters of competition.

The current situation in the banking system of Moldova reflects its fragility. At the end of 2014, the banking system was characterized by the presence of 14 commercial banks, including 4 branches of foreign banks and financial groups. The total number of banking subdivisions was equal to 1338, of which 348 branches and 990 agencies and the total number of staff employed in the banking system was equal to 10218. In 2014, the banking sector assets were concentrated in the group of 5 large banks of Moldova that hold a share of 76.75% of total banking system assets, increasing by 6.32 percentage points compared to 2013.

In terms of finance, banking market dominant position depends on the size of the assets or value of loans. Thus, according to the legal provisions, a maximum norm concerning the share of bank assets to the total banking sector’s assets must be less than or equal to 30%. From the point of view of competition, the share of bank turnover in the total turnover of the banking sector is the basic criteria in determining the dominant position and the legislation of the Republic of Moldova provides that a market share less than 40% is unlikely to identify a dominant position.

In the table below, it is reflected comparative the market share of the country's banking system, calculated differently, based on the banking system assets, the total volume of loans provided to the economy and the total turnover obtained by the banks.

Table no. 1 Structure of the banking sector in Moldova according to market share in 2014, %

Bank Name	Market share by value of assets	Market share by value of loans	Market share by value of turnover
BANCA SOCIALA	20.61	4.80	7.07
MOLDOVA-AGROINDBANK	15.72	26.51	18.44
Banca de Economii	14.33	3.28	11.25
Moldindconbank	13.59	21.77	17.41
VICTORIABANK	12.49	14.09	13.95
MOBIASBANCA – Groupe Societe Generale	5.93	8.40	6.97
EXIMBANK - Gruppo Veneto Banca	3.97	5.63	4.17
UNIBANK	3.57	2.26	7.48
ProCredit Bank	3.18	5.55	4.98
ENERGBANK	2.13	2.58	2.57
FinComBank	2.09	2.64	2.89
BCR Chisinau	1.10	1.10	1.25
COMERTBANK	0.92	0.97	0.95
EuroCreditBank	0.36	0.43	0.,62

Source: developed by the authors based on the reports published by the National Bank of Moldova for 2014 [13].

Analyzing the Table no 1, in 2014 BANCA SOCIALA owned 20.6% of total assets of the banking sector, however, the market share calculated based on the value of loans were equal to 4.80%. According to information published by the National Bank of Moldova, this phenomenon is explained by the fact that at the end of 2014 compared to October 1, 2014, the value of "other assets" in the bank's balance sheet was increased by 16.9 billion MDL, following the transfer of credits to a legal entity outside the Republic of Moldova.

Taking into consideration that the National Bank considered these transactions as suspicious, were launched the necessary procedures on their cancellation. Currently, BANCA SOCIALA is under special administration of the National Bank. In 2014, the market share calculated on the basis of turnover owned by BANCA SOCIALA was equal to 7.07%. In this context, it is proposed to use the concept of the market share calculated based on the value of turnover in order to identify the dominant position of a bank.

Simultaneously, the results in the table no 1 show that in 2014 the first 5 commercial banks owned more than 76% of total assets and loans of the banking system. Also, banking market is dominated by the activity of 6 commercial banks, which cumulatively had a market share of 74.76%, calculated based on turnover. Taking into account the high weight of the market share of the 6 leading banks, we can say that Moldovan banking sector has a moderate level of market competition.

At the end of 2013, were registered 85 microfinance organizations that made a profit of 197.2 mil. MDL. Simultaneously, cumulative the microfinance organizations had assets in value of 2509.4 mil. MDL, the first five microfinance organizations owned 68.75% of total assets and the share of loans granted by these represented 63.45% of total loans. However, taking into account the above mentioned, we can assume that there is a moderate level of competition.

According to data at the end of 2014, 307 savings and loan associations were registered. In 2014, this sector provided loans in the amount of 438.5 mil MDL and attracted deposits totalling 181.3 mil MDL. Taking into the consideration the large number of market participants, we conclude that there is a healthy competitive environment.

The insurance market in Moldova consists of 16 insurance companies, 69 insurance brokers. At the end of the third quarter of 2014, insurance companies earned gross premiums in value of 900.2 mil MDL, of which 99.6% - gross written premiums from direct insurance and 0.4% - received reinsurance premiums. The structure of gross written premiums consisted of compulsory insurance with a share of 44.2% and voluntary insurance with a share of – 55.8%. According to the insurance object, the structure of insurance at the end of September 2014 were composed of: liability insurance with a share of 53.8%; property insurance – 31.9%; insurance of people – 13.9% and reinsurance premiums – 0.4%.

In addition, the insurance companies paid compensation and insurance payments in the amount of 408.8 mil. MDL, of which 99.6% (407.2 mil MDL) - compensation and insurance payments paid for direct insurance claims and 0.4% (1.6 mil MDL) - for claims concerning reinsurance risks.

The insurance companies, as of 30 September 2014 had a portfolio of 768765 contracts in force, with 28845 less contracts compared to the same period of the previous year. The number of insurance contracts that refer to general insurance represented 94.27% of all contracts.

Furthermore, insurance companies reported a share of 5.73% of life insurance contracts to total insurance contracts in force. The table no 2 presents a full picture of the total gross written premiums earned by the insurance companies from Moldova at the end of the third quarter of 2013 and 2014 and the market share owned by each of them.

Table no. 2 Structure of the insurance market in Moldova according to market share at the end of quarter III, 2013-2014

Name	Quarter III, 2013		Quarter III, 2014	
	Total gross written premiums, thousand MDL	Market share, %	Total gross written premiums, thousand MDL	Market share, %
„Acord-Grup”	22856.8	2.66	43576.7	4.84
“Asito”	140931.6	16.39	149606.4	16.62
“Asterra Grup”	22275.9	2.59	46492	5.16
“Auto-siguranta”	10183.5	1.18	10992.9	1.22
„Donaris-Grup”	74192.5	8.63	96805.3	10.75
„Exim-Asint”	5746.3	0.67	39.7	0.00
„Galas”	46488.6	5.41	49708.5	5.52
„Garanţie”	22566.7	2.62	45972.8	5.11
„Grawe Carat Asigurări”	96857.2	11.27	91201.9	10.13
„Klassika Asigurări”	20844.4	2.42	28254.6	3.14
„Moldasig”	243338.5	28.30	203913.7	22.65
„Moldcargo”	88162.2	10.25	63885.7	7.10
„Moldova-Astrovaz”	13003.9	1.51	5469.6	0.61
„Sigur-Asigur”	2593	0.30	2984.5	0.33
„Transelit”	22678.2	2.64	28295.2	3.14
„Victoria Asigurari”	26994.8	3.14	33039.6	3.67
Total	859714.1	100.0	900239.1	100.0

Source: developed by the author based on the National Commission for Financial Market reports for 2013 and 2014 [14].

According to the table no 2, in the quarter III in 2013 and 2014 the insurance market in Moldova had a moderate level of competition. This statement is based on the fact that in 2013 and in 2014 the top 5 insurance companies in the country owned more than 65% of the insurance market (74.9% - in the third quarter of 2013 and 67.3% - quarter III 2014).

Conclusions

Today, the financial market is the core of the economy and it is important due to vital functions it performs for sustainable economic development. The financial and competition experts highlight the role of financial market in providing a stable economic system, however, each of them in financial market analysis serve different purposes.

The financial market analysis in finance is performed in terms of ensuring financial resources for the market participants in the most advantageous conditions and with minimum risk. As defined, the financial market is the set of relations that arise between individuals and business in the process of attracting and investing funds on short, medium and long term, and the institutions and regulations related to the organization of such transactions.

Simultaneously, the aim of the experts in the field of competition refers to ensuring a healthy competitive environment by preventing anti-competitive practices and the abuse of dominant position.

In analyzing the financial market in terms of competition, the first step is the identification of market share to determine whether the undertaking has a dominant position on the market. For example, in the analysis of the banking sector, there are different approaches concerning market share calculation.

In financial literature, the dominant position in the banking sector depends on the size of the assets or value of loans and is considered a rate of 30% as a maximum norm concerning the share of bank's total assets to total assets of the banking sector.

From the point of view of competition, the concept of turnover is used in the calculation of the market share and according to the legislation of the Republic of Moldova a market share less than 40% it is unlikely to identify a dominant position.

Taking into account the above, it is proposed to use the concept of turnover in calculating the market power of a financial institution, which is an important indicator in determining the market share for services provided by the financial institutions.

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