contracting and should take place within a firm in order to reduce the costs.

When assets are specific, transactions are frequent, and there are significant uncertainties intra-firm transactions may be the least costly. And, vice versa, if assets are non-specific, transactions are infrequent, and there are no significant uncertainties least costly may be market transactions.

The mentioned attributes of transactions and the underlying incentive problems are related to behavioural assumptions about the transacting parties. The economists (Coase (1932, 1960, 1988), Williamson (1975, 1985), Akerlof (1971) and others) have contributed to transactions costs economics by analyzing behaviour of the human beings, assumed generally self-serving and rational in their conduct, and also behaving opportunistically. Opportunistic behaviour was understood as involving actions with incomplete and distorted information that may intentionally mislead the other party. This type of behavior requires efforts of ex ante screening of transaction parties and ex post safeguards as well as mutual restraint among the parties, which leads to specific transaction costs

Transaction costs are classified into:

1) costs of search and information,

2) costs of contracting and monitoring,

3) costs of incentive problems between buyers and sellers of financial assets.

1) **Costs of search and information** are defined in the following way:

- *search* costs fall into categories of explicit costs and implicit costs.

Explicit costs include expenses that may be needed to advertise one's intention to sell or purchase a financial instrument. *Implicit costs* include the value of time spent in locating counterparty to the transaction. The presence of an organized financial market reduces search costs.

- *information* costs are associated with assessing a financial instrument's investment

attributes. In a price efficient market, prices reflect the aggregate information collected by all market participants.

with a financial deficit which need to borrow. Ultimate lenders and borrowers usually do not participate directly in the markets. As a rule they deal through an intermediary, who performs functions of broker, dealer or investment banker.

Important role is played by *government*, which issue money market securities and use the proceeds to finance state budget deficits. The government debt is often refinanced by issuing new securities to pay off old debt, which matures. Thus it manages to finance longterm needs through money market securities with short-term maturities.

Central bank employs money markets to execute monetary policy. Through monetary intervention means and by fixing the terms at which banks are provided with money, central banks ensure economy's supply with liquidity.

Credit institutions (i.e., banks) account for the largest share of the money market. They issue money market securities to finance loans to households and corporations, thus supporting household purchases and investments of corporations. Besides, these institutions rely on the money market for the management of their short-term liquidity positions and for the fulfilment of their minimum reserve requirements.

Other important market participants are other financial intermediaries, such as *money market funds*, *investment funds* other than money-market funds, *insurance companies* and *pension funds*.

Large *non-financial corporations* issue money market securities and use the proceeds to support their current operations or to expand their activities through investments.

In general issuance of money market securities allow market participants to increase their expenditures and finance economic growth.

Money market securities are purchased mainly by corporations, financial intermediaries and government that have funds available for a short-term period. . Individuals (or households) play a limited role in the market by investing indirectly through money market funds. Apart from transactions with the central bank, money-market participants trade with each other to take positions dependant upon their short-term interest rate expectations, to finance their securities trading portfolios (bonds, shares, etc.), to hedge their longer-term positions with short-term contracts, and to reduce individual liquidity