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ISSUES OF IMPROVING THE OPERATIONS OF COMMERCIAL BANKS IN THE SECURITIES MARKET

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Abstract: This article examines the nature and characteristics of home securities market, location and the operations of commercial banks in this market. The article, using the method of comparative analysis revealed a flaw in the operations of commercial banks in the securities market and developed proposals for its positive decisions.

Keywords: Securities, market, commercial banks, banking operations, underwriting.

Introduction

The experience of countries with developed economies in the last century has unequivocally confirmed that only a market economy provides the highest level of economic efficiency. The effectiveness of the market mechanism is in many respects directly related to the extent to which the economy is fully covered by commodity-money relations. This means the need to form a commodity market, which is an integral part of the commodity markets, including the financial market. Because a market economy cannot function without a developed circulation of securities.

It is an undeniable fact that the transition to a socially oriented market economy based on the principles of the securities market model of the Republic of Uzbekistan is an integral part of the economic development strategy of the republic. If we look at the experience of developed countries of the world, the stock market has emerged spontaneously for many years. Since then, laws have been passed to regulate the stock market. In our country, along with the national securities market, the legal and regulatory documents governing its activities are being improved in parallel.

The global financial and economic crisis of 2008 "Secondly, the escalating global financial crisis has shown that the global financial and banking system has serious shortcomings and needs to be radically reformed. At the same time, the crisis has confirmed that there is a lack of control over the activities of banks, which have been operating mainly for their own corporate interests and are engaged in various speculative operations in the credit

and securities markets. Given this factor, in this article we will try to highlight the role and responsibilities of commercial banks in the stock market.

Review of literature on the subject

Many foreign and local economists have been working on the effectiveness of investment lending in commercial banks and their development and evaluation. One of the foreign economists who conducted research on this issue:

According to Russian economists MV Alikaeva, LO Aslanova and others, "Investment bank loans are usually issued for a period not exceeding the project repayment period, usually for a period of not less than one year, within the approved design estimates. will have a targeted nature, which must be documented with payments under concluded contracts".

F.V.Mike and V.Rong (2006) suggested the need to establish external financial constraints on the effective use of investment projects and, on this basis, to encourage domestic investment projects. At the same time, scientists conclude that as the cost of external financing increases, the value of cash will increase significantly.

H.Wang, P.Liang, H.Li, R.Yanglar (2016) studied the interrelationship between investment projects and their sources of funding for technological development, as well as sources of funding for research, research, investment risk.

In addition, the well-known Russian economist T. Mazurina (2013) justified the existence of the following conditions for the development of lending to investment projects through loans from commercial banks:

- Existence of effective state investment and industrial policy (with clear directions of financial resources allocation);
- development of investment infrastructure, which is the main direction of risk reduction associated with the implementation of investment projects;
- increasing the investment attractiveness of enterprises.

Analysis and main results

The role and importance of commercial banks in the securities market varies in different countries around the world. In the United States, for example, commercial banks are prohibited from conducting direct operations in the country's securities market and from officially joining stock exchanges. Under the Glass-Steagall Act of 1933, universal commercial banks could not participate in the organization of the issuance of shares and bonds of industrial and commercial companies. Commercial banks are prohibited from investing their shares in shares of industrial and commercial companies. However, the law allows for a universal commercial bank to make investments in order to prevent losses due to the insolvency of the borrower-client. However, this ban is offset by the fact that commercial banks carry out high-volume trust transactions (management of securities on behalf of clients), which implies that American-owned commercial banks actually own shares in industrial companies. The current law allows commercial banks to issue government securities, local bonds, establish debt obligations by various national and international organizations, as well as perform certain intermediary functions on the purchase and sale of securities in the stock market at the expense of clients and on their behalf. Legislation in a number of developed countries (UK, Canada, France, Japan, etc.) has until recently banned commercial banks from directly participating in the activities of stock exchanges. However, at present, there are significant changes in the legislation of these countries to create opportunities for commercial banks to participate directly in stock exchanges.

In economically developed Germany, the opposite is true. In this country, only commercial banks are allowed to directly participate in the operations of securities in the stock markets, as well as to conduct all types of securities-related operations. In Germany, all activities carried out by investment institutions in the stock market are carried out by commercial banks. There are no investment institutions engaged in purely brokerage activities

like in other countries, as commercial banks issue the largest number of different bonds, which are the largest investors. In addition, in the stock market, they act as underwriters of government securities. Commercial banks also carry out intermediation operations in the stock market at the expense of their clients and on their behalf, as well as at their own expense and on their own behalf. In Germany, mainly commercial banks form the general membership of stock exchanges.

With the formation of the stock market in the Republic of Uzbekistan, there is a mixed model of the stock market "European", in which the law stipulates that commercial banks and other non-bank organizations (investment institutions) operate on an equal footing. During the gradual transition of the economy to market relations, commercial banks have been able to create the most favorable conditions for operating in the securities market among other business entities, and still have the opportunity to do so. These conditions include:

- First, traditionally, commercial banks have highly qualified specialists who have a full understanding of the nature of the securities market;
- secondly, the current legislation on commercial banks itself regulates the activities of a commercial bank as a joint-stock company, ie an issuer of various securities, primarily shares. It should be noted that the first major issuers in the country are joint-stock companies, namely these commercial banks;
- Thirdly, in comparison with other entities, commercial banks have accumulated a large amount of their own funds and resources, which, in turn, create the necessary conditions for participation in the securities market of the country as a major investor;
- - Fourth, the current legislation of the Republic of Uzbekistan does not in any way restrict the activities of commercial banks in the securities market (for example, under the US law Glass-Stigol) and at the same time commercial banks have the most necessary information about the financial and economic activities of their clients. gives them significant advantages over conventional investors who have limited access to such information.

The special position of commercial banks in the securities market of the country is that, unlike other business entities, as a qualified participant in this market, they can simultaneously perform several different functions. These tasks include:

- as issuers of securities, corporate bonds, certificates of deposit, certificates of deposit and bank bills;
- Advice to its clients on the securities market, as a registrar and depositor for them; as other business entities of the economy and investors who buy government securities;
- can participate as an investment institution that provides its clients with securities and cash management services provided to them to invest in securities.

Table 1

Dynamics of securities issued by commercial banks in Uzbekistan (in billions of soums)

№	Types of securities	Years		
		2018	2019	2020
1	Deposits of commercial banks and certificates of deposit	427,0	445,6	590,0
2	Long-term of commercial banks corporate bonds	204,0	259,7	330,0
	Total	631,0	705,3	920,0

Source: Prepared by the authors on the basis of the site www.cbu.uz.

As a result of effective use of all means to increase the capitalization of commercial banks in the Republic of Uzbekistan in 2020, including the expansion of free funds of the population

and businesses through the issuance and placement of additional shares and debt securities, the total capital of commercial banks increased by 25% compared to 2019. As of January 1, 2013, 6.5 trillion. soums.

The following table shows the dynamics of securities issued by commercial banks in the Republic of Uzbekistan and placed between the population and businesses. The analysis of the data in this table shows that the volume of deposits and certificates of deposit issued by commercial banks operating in the country in 2020 increased by 163.0 billion soums or 138.6% compared to 427.0 billion soums in 2018. During this period, long-term corporate bonds issued by commercial banks amounted to 126.0 billion soums. soums or by 161.8%. It should be noted that long-term corporate bonds issued by commercial banks are placed on the Republican Stock Exchange "Tashkent".

The Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 308 of July 9, 2003 and No. 221 of October 2, 2008 "On Licensing of Professional Activities in the Securities Market" determines the procedure for licensing professional activities in the securities market. According to this decision, licensing of professional activities in the securities market in the country is carried out by the Center for Coordination and Supervision of Securities Market Activities under the State Committee for Privatization, Demonopolization and Development of Competition of the Republic of Uzbekistan. Professional activities in the securities market in the Republic of Uzbekistan can be carried out only by legal entities.

According to the current legislation of the country, commercial banks licensed to conduct banking activities have the right to carry out professional activities in the securities market as investment intermediaries, trust managers of investment assets and investment advisers. At the same time, commercial banks are not required to obtain a license to conduct professional activities in the securities market.

Article 49 of the Law "On Securities Market" states: corporate bonds may be issued only by commercial banks, as well as open joint-stock companies subject to the following conditions:

- within the amount of equity on the date of the decision to issue bonds, approved by the conclusion of the audit organization;
- has positive indicators of profitability, solvency, financial stability and liquidity for the next three years, confirmed by the conclusions of the audit organization, as well as has received an independent rating in the manner prescribed by law;
- it is stipulated that the funds belonging to investors may be issued by issuers with the participation of commercial banks acting as payment agents. This operation is, in essence, an underwriting operation.

Taking into account the prevailing principles of the international and domestic experience of the securities market, the newly adopted legislation suspended the activities of the investment company. However, the right to carry out underwriting activities performed by them is given to investment intermediaries and commercial banks.

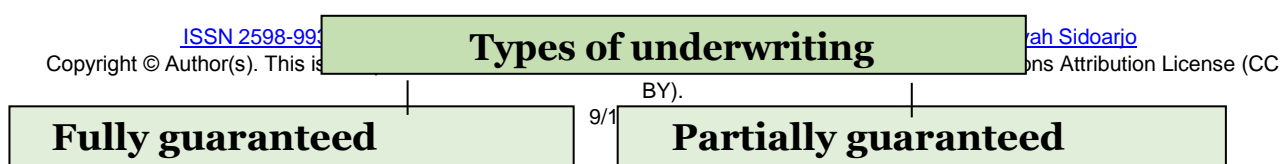
Underwriting activity (underwriting) is an activity that provides services for the organization of the issue or the guaranteed placement of the issuer's securities on the terms specified in the contract between the underwriter (underwriters) and the issuer.

In a fully guaranteed placement of securities, the underwriter shall place the full placement of all securities in that issue. In the case of partially guaranteed placement of securities, the underwriter shall place not less than 10.0% of the securities in this issue.

In international practice, we present the main types of guaranteed placement of securities in the following figure:

Figure 1

Types of guaranteed placement of securities



Source: Compiled by the authors.

The following are the main activities of the underwriter:

- formation with the issuer of an acceptable structure of the issue and placement of securities;
- drawing up and submitting an investment memorandum to investors;
- Carrying out the first subscription to the right to purchase securities of the planned volume of issue;
- Carrying out marketing research, including the study of market conditions and capacity, based on the initial subscription of potential investors who have the right to purchase the securities in the intended issue;;
- conclusion of a guaranteed obligation defining the issue brochure, operating documents and description of underwriting services;
- if necessary, the selection of investment intermediaries and commercial banks to form a temporary association of underwriters and ensure its operation;
- Carrying out the guaranteed placement of the issuer's securities (placement at the lowest price) in accordance with the obligations and terms agreed in the contract for the provision of underwriting services;
- distribution of brokerage fees from the provision of underwriting services or income from the difference between purchase and sale among the participants of the temporary association (if any);
- payment to the issuer of funds received from the placement of securities;
- implementation of initial support for the placement of securities (this issue) on the secondary market, agreed in the brochure of the issue (agreement on the provision of underwriting services).

Conclusions and suggestions

In accordance with the legislation on the securities market in our country, an investment intermediary or a commercial bank engaged in underwriting activities may conduct underwriting activities. To carry out underwriting activities, investment intermediaries and commercial banks must meet the following requirements:

a) have a license of the authorized state body for regulation of the securities market as an investment intermediary, which gives the right to carry out professional activities or the Central Bank of the Republic of Uzbekistan, which conducts banking operations;

b) have an auditor's report confirming a positive financial result for the last three years.

An investment intermediary and a commercial bank that do not meet the above requirements are prohibited from conducting underwriting activities in the securities market.

In the national securities market, there are currently only a few open joint stock companies in addition to commercial banks (e.g. Uzavtosanoat JSC has only issued corporate bonds [6]). The main reasons for this are the lack of highly qualified securities specialists in open joint-stock companies and the lack of understanding of the process of preparing the publication of corporate bonds. In our opinion, in order to overcome this negative situation, it is expedient to do the following to improve the operations of commercial banks in the national securities market.

In international practice, in order to conduct underwriting in countries with developed market economies, investment companies can join issuance syndicates - a group of underwriters that organize the issuance of securities and its guaranteed placement. It is necessary to thoroughly study the pros and cons of the same practice, to introduce the practice of underwriting operations of commercial banks in accordance with the legislation of the

securities market of the country, as well as the organization of issuance syndicates between banks. It is expedient that these issue syndicates provide all organizational and legal services related to the issuance of corporate bonds by open joint-stock companies in the country. As a result, the issuance of corporate bonds by open joint stock companies in the country and their placement among investors will be accelerated.

In conclusion, it is necessary to create opportunities for further development of the bond market, increase its liquidity and expand secondary market processes, increase the share of non-bank financial institutions and individuals, as well as diversify and increase the number of investors by diversifying issuers. depends on the correct. This will allow corporate bonds to take a stronger place in the stock market of the country.

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