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**Uzbek financial markets**

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## Lesson 12. World stock markets

1. Global trends in the world financial market.

2. International Finance Market Operations.

3. The financial market of Uzbekistan on the world financial market.

4. Problems of financial market development in Uzbekistan.

## 1. Global trends in the world financial market



In general, international financial institutions are financial institutions integrating global finance into financial and economic, financial, commercial and social spheres through financial and international financial markets. These institutions include the World Bank, the International Finance Corporation, the World Trade Organization, and the International Monetary Fund under the United Nations (UN). Among them are the European Bank, Asian Bank, International Bank of Reconstruction (BIS), Organization for Economic Cooperation and Development (OECD), IOSCO and others. Transnational corporations, holding companies and financial-industrial groups of the international level, together with the organizations listed above, are considered to be one of the key players in the global financial market. Each of them operates on the financial markets for the purpose of carrying out appropriate activities



In the financial markets, a segment - the international capital and services market - operates and develops in line with the objectives, tasks, functions, mechanisms of functioning, functions and features of international financial institutions. At the same time, they are responsible for the implementation of the monetary, fiscal, investment, emission policies of the states, and hence the institutions of the state and their operations with financial instruments and resources of their own and other entities and, in some respects, the international regulator, international financial resources and instruments, a source of investment, an institutional investor, a professional issuer and an intermediary. As it is evident, the international financial institutions, together with the countries (with whom they work) and their banks, insurance companies and investment institutions, are not only professional, necessary, beneficial and profitable for the financial markets, but also to some extent (within international competence) is an international regulator.

## 2. International Finance Market Operations



International Financial Institutions, on the basis of the said transactions, create a global financial market infrastructure, interacting with the international financial system, through the financial markets, with the United Nations and international treaties concluded with them, by the state and non-governmental organizations in the national economy pursuant to international interests. This will help increase the level of financial markets' risk-taking, attractiveness, sustainability, financial security, and the quality and efficiency of investment.

Thus, international financial institutions generally play the following roles in the world economy, particularly in the financial markets:

- Institutions that promote the development of globalization processes around the world and affect the markets of the countries as an external factor;

In different countries, the volume of issuance of government bonds varies widely

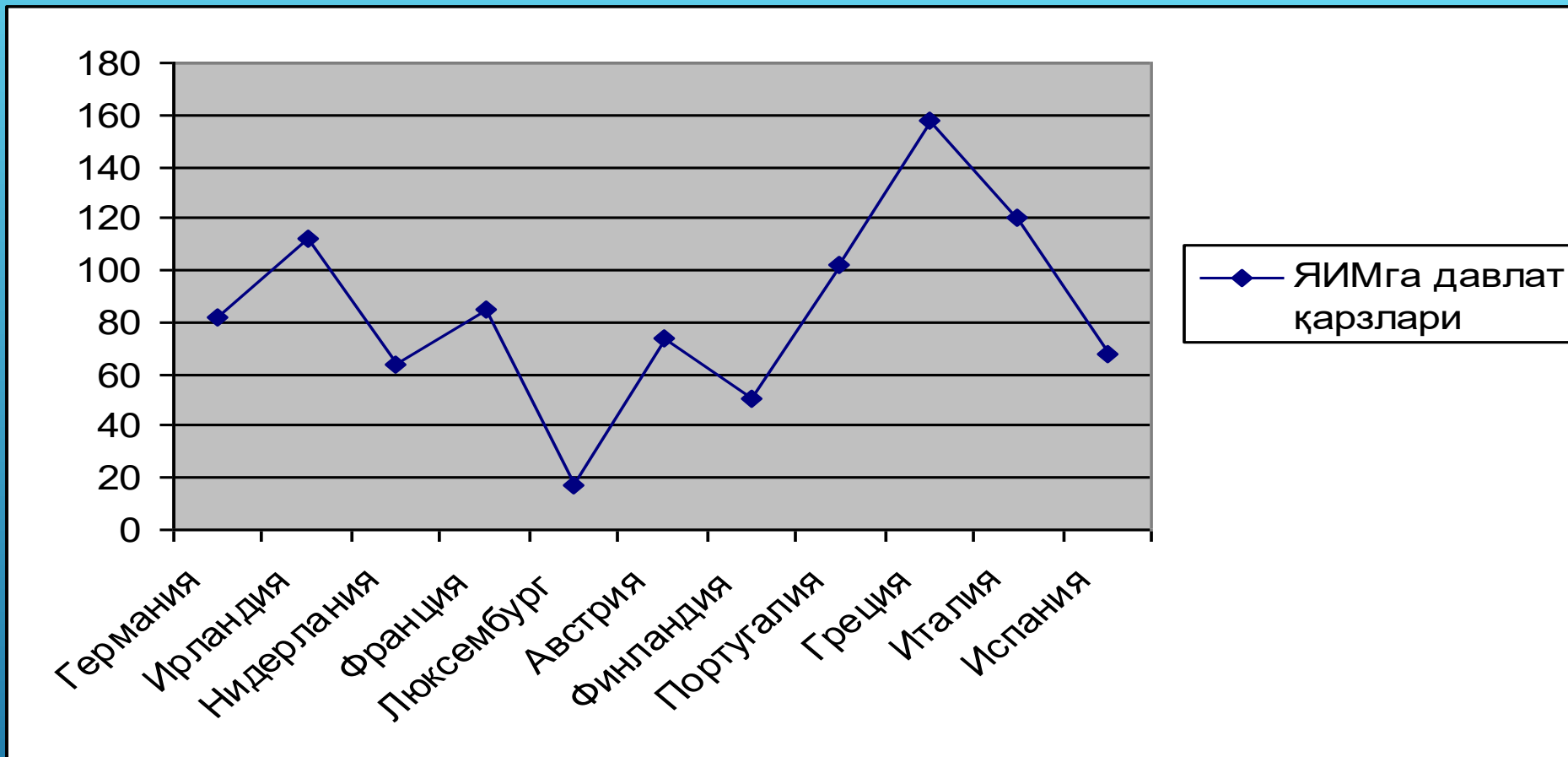
	Italy	Japan	USA	GB	Canada	France	Germany
Size relative to GDP	50,6	40,4	29,5	24,0	19,6	17,7	16,6
The size of the state's unpaid domestic debt	83,1	66,2	62,8	88,6	44,6	82,7	35,0

*Source: James L.Massey. The Primary Market for Public Debt. Solomon Brothers*

- institutions acting as professionals in the global financial market, dealing with foreign exchange, credit, other financial instruments and resources related transactions;
- institutions contributing to the harmonization of monetary (fiscal) monetary and fiscal policies in the country in line with the principles of international globalization;
- Institutions that set normative norms at the international level;
- accumulator of international financial resources and instruments, source of major international investment;
- international institutional investor;
- international securities issuer.

Nowadays, these organizations are active in the financial markets of industrial and developing countries and play a major role in the global economy (see Chapter X).

Such organizations are particularly important in the development of financial globalization processes and the formation of their universal regulatory framework. In this regard, for example, the Recommendations of the International Organization for Standardization of the Economic Cooperation and Development Organization (OECD) (as of 2003, their numbers are from 9 to 20 in 1985). These recommendations (see the tables below) suggest that centralized depositories in each country are targeted at improving efficiency, more standardization, and reducing risk levels, mainly through international settlements, trading operations and deposits.



Picture 2. The status of public debt in European countries

### 3. The financial market of Uzbekistan on the world financial market.



The system of financial market regulation of Uzbekistan is part of the first multi-model, presented in paragraph 9.3. Its noteworthy is that there is no special advantage of banks, financial institutions (investment institutions, insurance companies, funds), institutional investors, or small retail investors. It has segregated segments (money, currencies, corporate and government securities, insurance instruments, credit and other instruments of banks), which are not completely interconnected at present and each is privately regulated by different authorized government agencies (coordinated and controlled).

The model of the financial market regulator includes elements of Anglo-Saxon and Continental models.

In the financial market, the corporate governance system of stock companies is based on a continental model (see example 3.4), which differs from the Anglo-Saxon ("investor") model, and low domestic non-government investment, the high numbers of regulators, as the banks, insurance companies and off-budget funds are not functioning adequately with the effectiveness of the transition economies, a'lum problems:

1. Reduction of the share of minority shareholders resulted in the occurrence of large shareholders, as a result of which there is a decrease in the attraction of financial resources as investments. Because large investors have a dominant position in companies with corporate interests and prevent the flow of foreign investment, which does not allow new emissions (especially the introduction of the IPO mechanism), removes the listing level, and adversely affects the development of the open and continuing secondary open market securities. It is worth mentioning that most domestic strategic investors do not want long-term investments to companies within larger packages of shares, but they are interested in re-investing their capital at the expense of internal reserves of the company, which dramatically decreases the level of capitalization of the company and dramatically increases the need for investment. External strategic investors are not inclined to push their company into long-term strategic plans and interests on the secondary market.

The Grexem approach can be applied mechanically, as some indicators of the firm's current financial status and its financial statements are compared with the AAA rating of the company's current yield and return on equity. The answer to these 10 simple questions is "yes or no"

A. Material incentives	B. Risk
<p>1. Is the ratio of "revenues" to less than half the return on the bonds of AAA bonds? For example, if the yield of AAA bonds is 12%, then the reverse amount is <math>1 / 0.12 = 8.33</math> and the other 4,16. Thus, if the answer to the question is "yes" then the "price-earning" ratio should be less than 4.16.</p>	<p>6. Is the debt-equity ratio low (1) less? This ratio - the share of total debt to equity capital, which corresponds to the balance sheet.</p>
<p>2. Is the ratio of "revenue-earnings" 40 percent less than the "average" ratio of the price-earnings for the last five years? At the same time, the "average" ratio of the "price-per-year" ratio for the year is equal to the average annual price of the stock for the year to the amount of earnings per share.</p>	<p>7. The current ratio is 2 (two) larger? This ratio - is the division of current assets into current liabilities.</p>
<p>3. The dividend on the share equals to less than 2/3 of the earnings on AAA bonds?</p>	<p>8. Are total debt less than double the net value of current assets? The net asset value of current assets is current assets and total debt.</p>
<p>4. How much is the share price less than 2/3 of the actual balance price per share? The real balance sheet, calculated for one share, is the sum of aggregate assets and total debt divided by the total number of outstanding shares.</p>	<p>9. What is the average annual increment rate of less than 7 per cent per share in the last 10 years? Thus, the growth rate of E is expressed in the formula <math>E_0 = E_{-10} (1 + g)^{10}</math> (<math>E_0</math> - earnings per share for the last year, <math>E_{10}</math> - one per share for the year following the expiration of 10 years). If you have to get a "yes" answer, the question should be no less than 7 percent.</p>
<p>5. Share price is less than 2/3 of net present value of one share per share? This assessment is based on the sum of current assets and total debt divided by the total number of outstanding shares.</p>	<p>10. Is it equal to or less than 5 times in the ninth (8 or more years)? It should be noted that the annual rate of growth of profitability should be determined by 10 indicators, then at least two of them should be checked for more than 5 percent, for example, equal to 4 percent.</p>

2. Bank model modeling in Germany, unlike the Anglo-Saxon model, has been hampered by the fact that banks are no longer active in the financial markets as the initiator and catalyst of full-fledged investment and credit operations. The Bank's stock market is highly risky and less likely to invest in portfolios because they are not inclined to participate in corporate governance (except for the lack of control packages and their core business). In addition, the banks' resources, the level of capitalization and the relative margin are low.

3. Because of the poor development of the insurance system and the lack of investment resources, as well as direct portfolio investments in the stock market, they do not seem to be active in the corporate governance system, nor in the primary and secondary markets.

4. Off-budget funds are limited to investing in government securities only, and the stock market is very risky for them.

5. Investment institutions, especially investment funds and companies, have a very low quality and management quality, which are largely subject to the peculiarities of the privatization mechanism.

6. The relatively long time privatized companies have a large shareholding in the government's stocks, with a lack of corporate governance and management (financial, administrative, and strategic) systems (in which government officials and trustworthy government officials were ineffective ), which resulted in inefficient restructuring, and that the financial situation was worsening, with no modernization. A large part of the resources of the state strategic and speculative portfolio investors are becoming difficult to sell, sold goes to large investors, resulting in adverse circumstances. At the same time, the investment activity of banks and other financial institutions is not noticeable, and the privatization authority does not impose effective public resources on the basis of the IPO mechanism that is effective in many countries.

It is possible to predict that the medium-term and long-term prospects of the financial market of Uzbekistan will have a significant impact on the positive impact of the factors. All the options are available for that.

### Regulatory Infrastructure of the Financial Market

Institutions of regulatory framework for the financial market include the following state bodies and have the appropriate powers assigned to them by the legislation.

The main bodies are the Central Bank, the Ministry of Finance, the Center for Coordination and Control over the Securities Market under the Committee for State Property Management (hereafter referred to as the Briefing Center). Antimonopoly policies in the financial market, jointly with the said bodies, are implemented by the State Committee for Demonopolization, Competition Development and Entrepreneurship Support. The fiscal policy affecting the financial market is jointly managed by the Ministry of Finance, the State Tax Committee and the State Customs Committee. Issues related to external economic activity of the financial market are coordinated by the Ministry of Economics of the Ministry of Foreign Economic Activity of the Republic of Uzbekistan.

## 4. Problems of financial market development in Uzbekistan.



The Central Bank and the Ministry of Finance of the National Fiscal Market, the Central Bank and the Ministry of Finance, the Central Bank of the Republic of Uzbekistan, the corporate securities market (information on this body can be found on its web-site <http://www.uzsec.com>), the Government Securities Market is regulated by the Ministry of Finance and the Central Bank. Each of these institutions, as a separate state body, forms a whole system of state registration of the national market.

As it turns out, the financial market is currently being regulated by several government agencies simultaneously (until relevant MOEs are established).

It is important to note that in Uzbekistan, the self-regulation of the stock market regulator is also included. Thus, the model of securities market regulates in the long run in Anglo-Saxon and approaches to Russian models in the near future.

The aforementioned government institutions formulate a general regulatory framework for the financial market, each of which performs its own regulatory functions, that is, the state, which monitors and regulates the activities of participants of the financial market within the limits of their competence and sphere of activity, function of organs. This often leads to discrepancies and contradictions in the implementation of regulatory norms and monitoring actions. In other words, the fact that non-compliance, unification, harmonization, and non-harmonization of state regulatory acts with each other has not been achieved in a single entire regulatory system, is evident in the mechanism of regulation of the financial market. The President of the Republic of Uzbekistan has repeatedly pointed out this in his speeches, speeches and decisions. Resolution by the President of the Republic of Uzbekistan "On Measures for Securities Market Development", PP-475, 2006.