



Tashkent State University of Economics

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**Uzbek financial markets**

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# Lecture 13. Private and public financial markets

1. Financial Market Risk, Assessment and Management.

2. Stock markets risks.

# 1. Financial Market Risk, Assessment and Management.



The source of risks in the financial market is a factor of all kinds, and their potential and uncertain influence on the financial market leads to risky processes, phenomena and actions. In other words, risks are always present in the factors that are inherent in the nature of probabilistic nature, which directly or indirectly relates to the emerging realities of the financial market environment. This situation, in turn, confirms the urgency of the problem of risks in the financial market.

Consequently, risks are always present in the financial market environment, which can reduce or weaken the quality and condition of the market (generally "polluting" the market environment) and sometimes worsen it. Based on the nature of the risks and the impact of their impact on the basis of analysis (on the basis of analysis), it is possible to develop measures to reduce and manage them. This is of great importance for financial market participants.

In this definition, the following issues should be considered:

- 1) Given the emergence of an emergency risk, any risk is likely to be risk-free and therefore conditional;
- 2) Acceptance of the principle of satisfactory functioning indicates that the parameters of the financial market and any participant's activities are exposed to risks for a certain period of time so that such condition is conditional;
- 3) evaluate the participant's movement in terms of the predictability of the environment in which the financial market environment is known to be risky. This estimate in the estimation can usually be meaningful in a relatively short period of time, which means that this condition is also conditional.

For the financial market participant, the following information, often unclear about the financial instrument, is important:

- the level of equivalence of the financial instrument on the basis of economic and legal security;
- liquidity;
- expenses;
- level of risk and effectiveness.

Risks of risk can be natural (abiogenic, biogenic), anthropogenic (technogenic, biogenic), economic and political

*Political Risks - Risks Determined by Political Variations.  
Economic (commercial) risks are the risks that are determined by adverse changes in the economy.*

Political and economic risks, on the other hand, can be both internal and external.

in international standards;  
within the country;  
in the regional context;  
within the network;  
business risks.

## 2. Stock markets risks.



We see the first type of auction trading on the stock exchange. The seller (trader) submits to the maker an application (condition) on the sale of securities of a certain type, quantity and price. In the course of the sales process, the maker will announce this requirement. Here are two situations:

There may be several potential buyers (buyer brokers). In this case, the dealer will carry the price at a certain price until the buyer does not have a buyer;

When the buyer is not a buyer, then it may be reverse auction. At the discretion of the seller, the value of its securities may be lowered to the satisfaction of the potential buyer. If at the auction the last price offered does not satisfy the buyer, the seller sells the securities out of the sale.

When considering this process, it can be seen that the following risks are manifested.

Risks of Negotiated Negotiated Operations. For a single operator (usually a broker that has just started a new business), several (at least two) simultaneously working with one another will be much more difficult to deal with. At the same time, such a group may create a situation whereby a broker is forced to sell cheaper or buy more.

As a result of the group's operations, group brokers created a pre-feasibility study and risky exchange operations on a stock exchange (based on a robust transaction). This risk was eventually transferred to the operator.

Also, the group brokers have simultaneously manipulated market prices, which ultimately leads to the risk of manipulating the market.

It is not difficult to notice that in all the movements of the group, there is also a risk of false information for all stock market participants.



Liquidity risk is a risk associated with loss that occurs when the securities are traded on the basis of a change in the quality of securities. Specifically, this risk can also occur because of a temporary failure to pay by the buyer or seller after the auction.

The risk of delivery is the risk that the seller will not be promptly supplied to the buyer after the sale.

Operational risk is the risk associated with the loss of computer systems or the loss of the exchange personnel at low sales due to sales.

The risk of swindle is the risk that losses due to defects in the clearing system and loss of billing technology during trade.

Reparation risk (visual, replacement cost risk) is the risk that counterpart liabilities will not be compensated for the seller in the process of non-obtaining funds.

The risk of losing the principal amount of debt (visual, principal risk) is the risk that the simultaneously the sale of the securities on the sale resulted in the payment of money and the non-delivery of the risk to the purchaser. This risk can occur if the seller loses his / her solvency. This risk can be eliminated on the principle of "delivery based payment" principle.