



CORPORATE SECURITIES OPERATIONS IN CAPITAL MARKET: ORGANIZATION AND REGULATION

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Abstract

This article studies the essence, importance, characteristics, organization and regulation of capital market and corporate securities operations. Moreover, organization and regulation of corporate securities operations in capital market in Uzbekistan are analyzed in detail. Scientific conclusions and recommendations are presented on organization and regulation of corporate securities operations in capital market in Uzbekistan.

Keywords: capital, capital market, securities, corporate securities, corporate securities operations, capital market organization, capital market regulations.

Introduction

Capital market is one of the most essential participants while developing the economy in both developing and developed countries. In Uzbekistan, government are trying to develop local capital market in order to increase capital turnover in the economy, develop joint-stock companies, grow investment attractiveness of companies and the capital market, enlarge the participation and integration of jointstock companies in global capital market and so on. It should be noted that such advantages give the number of opportunities for companies. However, the capital market of Uzbekistan has several essential issues which must be solved. For instance, low usage of financial technologies in the capital market operations, poor capital market infrastructures, financial literacy of the population, low level of participation of investors, high level of interest rates and others are must be changed positively. Such factors of local capital market can show the relevance of analysing corporate securities operations in the capital market.

Literature Review

The number of scientists have learnt capital market and corporate securities operations. A.Andries said “The capital market today is a reality met in any modern economy. It is a market the necessity of which is unchallengeable, an extremely





dynamic and innovative structure, permanently adapting to the economic environment and at the same time an influential factor of it, generating opportunities and to the same extent risk for all categories of participants to the economic activity, being a replica of a national economy to a small scale, but nevertheless especially representative” [1]. There is reflected importance and the main characteristics of capital market.

B.Lloyd paid attention to the role of private sector in the capital market. “One of the first questions that should be asked is what role private investment can be expected to play in the developmental process. Without an active private sector there cannot be a meaningful capital market. Consequently, many of the problems associated with identifying a role for a capital market are essentially concerned with attempting to overcome some of the constraints in finding a positive role for the private sector” [2].

The features of capital market and the participation of institutional investors in the capital market should be investigated to understand the influence of institutional investors on this market. “It is necessary to implement innovative development, create a healthy investment climate, and attract more institutional investors while achieving the developed economy. It should be done to develop the capital market in this process by attracting institutional investors, creating conditions for their investment and ensuring the participation of institutional investors. Learning essence, features and importance of institutional investors can give a chance to understand why we need institutional investors in the development of the capital market. Such aspects should be taken into account while creating appropriate conditions for institutional investors to act in the capital market in Uzbekistan, because sometimes authorities forget the main features and importance of institutional investors in the capital market while regulating” [3].

Several researchers noted “The development of the securities market in the national economy and its integration with the global stock market will be an important factor in meeting the demand for financial resources for local businesses and the development of their businesses. In particular, if we look at the experience of China, Japan and Singapore, the privatization of the country and the sale of state-owned enterprises to foreign investors through the stock market has created a new flow of financial resources and played an important role in national economic development” [4].

N.Sherkuzieva “The formation of an integrated strategy for the development of the capital market and the implementation of a unified state policy in this area, in turn, promote the formation of an effective stock market infrastructure, accelerate the



development and expansion of the secondary securities market, improve corporate governance, is explained by reforms in the field of corporate governance and the development of international relations in the field of capital market regulation” [5]. O.Narziev compared the difference between financing by banks and financing by capital market. “Due to various objective and subjective factors, banks have become the most dominant position in the accumulation and redistribution of financial resources. One of the leading market institutions that can compete with banks in the financial sector is the capital market. Despite nearly thirty years of transitional reforms in our country, the capital market is still underdeveloped. As a result, companies and investors have no choice but to use alternative and competitive sources of business financing and work with the monopolized banking system” [6].

“Specific functions of the stock market mechanism that determine its role in the economic system include: redistribution of funds between sectors, financing of the state budget deficit, price and financial risk insurance” [7].

According to the above-mentioned researchers, capital attracting with the help of corporate securities operations in capital market is one of the most well-known ways to finance companies in international practices, so the government should pay attention to organization and regulation of this process.

Research Methodology

While analysing corporate securities operations in capital market, there are used several methods such as comparison, induction, deduction and other methods in this article.

Analysis and Results

In our country, several laws of the Republic of Uzbekistan have been adopted in order to form the capital market, to regulate it by the state, to coordinate the activities of its participants, to protect the rights and interests of investors reliably. They are very important in the formation of the existing capital market. It is appropriate to indicate the following laws such as “On the stock market”, “On protection of joint-stock companies and rights of shareholders”, “On investment and mutual funds” and other laws as the most important of them. These laws help the government to regulate the capital market in the Republic of Uzbekistan, to control the organization, operation, reorganization, and liquidation of joint-stock companies, to regulate relations in the field of protection of rights of shareholders,



the conditions for issuing, placing, and their circulation of securities, to carry out professional activities in the capital market.

When analysing the issues of optimal regulation of the capital market in our country, it is necessary to pay attention to the real state of the capital market, such as the current state of the bond market and stock market. The practice of regulating and organizing the capital market can be visible with the help of the abovementioned analysis.

The situation in the capital market depends not only on individual companies and investors, but also on the overall economy, countries, regions, and the whole global market. Protecting capital markets from illegal behavior and fraud is important in the global community. It is for this reason that in all countries with a developed capital market, a regulatory system including state regulation has been formed. One of the strictest capital market regulation systems is used in the US. In that country, all aspects of activity on the capital market are regulated in detail on the basis of legislation, and strict control over its compliance is established. The regulatory authorities in Uzbekistan are given in the following (Figure 1).

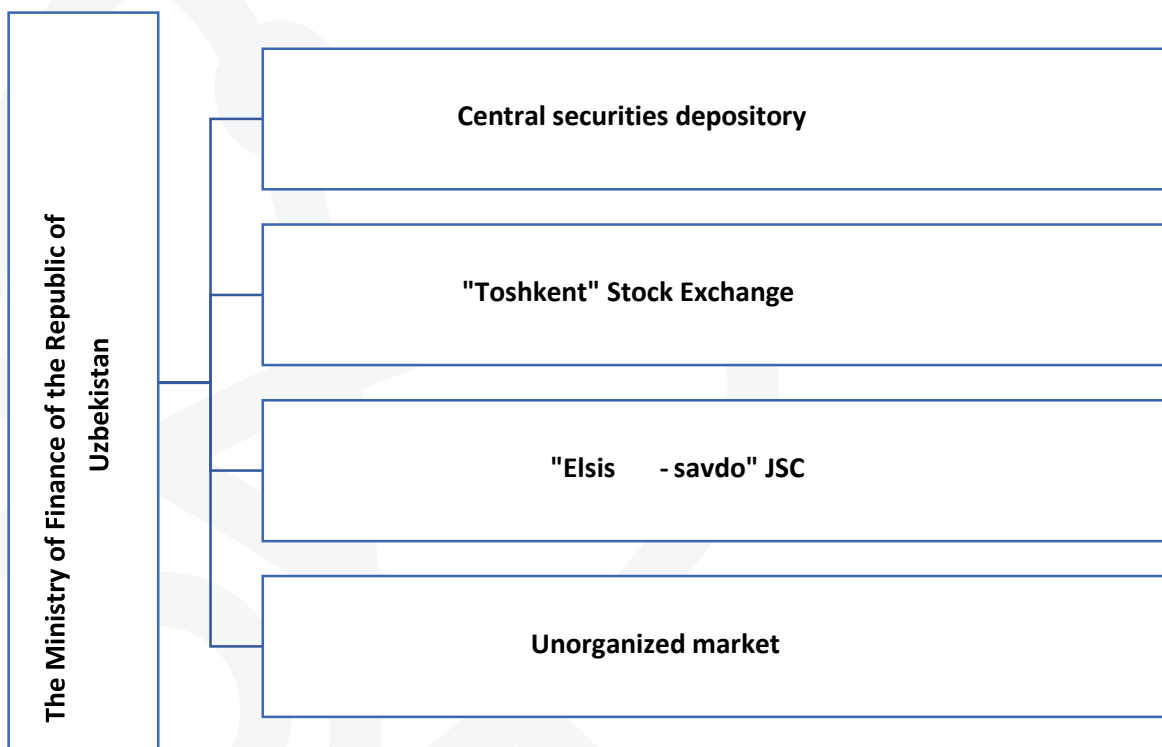


Figure 1. Authorized state bodies to regulate the capital market [8]



It should be noted that increasing the competitiveness of the country's economy and modernization of economic sectors requires full use of the financial and banking system, including the capital market, and raising this system to a qualitatively new level. In order to develop the capital market, priority tasks to be implemented during 2021-2023 were determined by the Decree of the President of the Republic of Uzbekistan "On measures for the further development of the capital market".

The following measures, seminars, trainings and roundtable discussions were carried out by the Ministry of Finance of the Republic of Uzbekistan in the first half of 2022 in order to ensure the quality of the implementation of the Program "Development of the capital market in 2021-2023", approved by Decree of the President of the Republic of Uzbekistan "On measures for the further development of the capital market" (Figure 2).

On April 21 of 2022, a seminar-training on the implementation of public placement of shares in foreign stock markets was organized with the participation of foreign consultants involved with the technical support of the European Bank for Reconstruction and Development;

On June 30 of 2022, in cooperation with the Ministry of Finance and the United Nations Development Program, to present the Concept draft on the development of the legal and regulatory framework for Sukuk and Green Sukuk in the Republic of Uzbekistan and with relevant ministries, agencies and organizations, as well as representatives of the private sector and foreign partners a seminar was held for the purpose of discussion;

The delegation of the Republic of Uzbekistan went on a "roadshow" trip to Turkey, Austria ("Euromoney 2022" International Forum), Great Britain, Luxembourg, and Belgium on May 23-31 of 2022 to meet with the competent authorities and participants of the international financial, money and capital markets.

Figure 2. Measures carried out by the Ministry of Finance of the Republic of Uzbekistan [9]

During the meeting and events, discussions were held on the development of the state securities market, the public offering of stocks of state enterprises (IPO) and the integration of the local capital market into international markets.

"It is well known that the capital market is a collection of idle funds, their transformation into capital through the existing infrastructure, and then distribution relations among the participants of the production or service processes (banks, enterprises, firms, as well as the population of the country),



securities, including stocks and conducts transactions with bonds. The difficulty of clarifying the essence of the concept of “capital market” is that its infrastructure is related closely to the money market, which is considered a part of the financial market, and financial instruments are the same for the capital market and the money market. Participants of the stock market include issuers, investors, investment institutions, as well as their associations (associations), stock exchanges (stock departments of stock exchanges), state-represented stock market control agencies. All participants of the stock market can be divided into professional, non-professional and state regulatory and control agencies” [10].

“As of July 1, 2022, companies have issued stocks in the amount of 164,2 trillion soums, and the average nominal value of one stock of each company is 1755,29 soums. The number of stocks issued by issuers is 13,3 trillion and the highest share per unit belongs to the banking sector” [8].

“The central depository ensures that a single account of securities is maintained in the depository system of the Republic of Uzbekistan. During the first half of 2022, the Central Depository received 146 sets of documents on servicing securities issues by the state body authorized to regulate the securities market.

During the reporting period, the Central Depository took into account a total of 97 issues, including 35 primary and new, 48 additional securities issues, 8 capitalization and 1 additional stock issues, as well as 5 corporate bond issues. In connection with the liquidation, securities issues of 14 issuers, part of securities issues of 16 issuers, one or more issues of 8 issuers, and part of bond issues of 1 issuer and bond issues of 2 issuers were withdrawn from the Central Depository account. During the first half of 2022, the Central Depository created 1598 registers for holding general meetings of shareholders, as well as other corporate activities. International codes were assigned to 849 types of securities of 637 domestic issuers” [11].

Table 1 The real state of IPO of UzAuto Motors JSC (As 23.12.2022) [12]

The number of ordered stocks	The number of stocks	Price of orders (soums)
33	608	81500.0
1	5	81090.0
2	13	81000.0
5	131	80000.0
1	20	79500.0
2	125	78000.0
5	45	77000.0
3	147	76000.0
1	1	75999.0



1	3	75555.0
30	1252	75000.0
1	51	74500.0
7	861	74000.0
3	22	73500.0
1	55	73050.0
40	2324	73000.0
1	134	72993.0
2	2	72800.0
1	2	72701.0
1	2	72700.0
7	930	72600.0
1	5	72599.0
1	140	72571.0
1	202	72555.0
2	140	72550.0
1	2	72515.0
14	2925	72512.0
4	593	72511.0
102	21325	72510.0
1	3380	72505.0
3	1401	72501.0
241	76871	72500.0
Total number of ordered stocks = 519 Compared to total = 4,21 %	Total number of offered stocks = 113717	

In Uzbekistan, Uzauto Motors JSC began IPO process in local capital market. If we pay attention to the information of the table, total number of ordered stocks 519 compared to the total offered stocks (113717) 4,21 %. We can see that there are difference among the prices (Table 1).

Table 2 IPO Details of Uzauto Motors JSC [12]

UZ7003040001	UzAuto Motors JSC
Open date	22.12.2022
Open date for order	22.12.2022
Closing date for order	28.12.2022
Listing date	04.01.2023
Steps	1
Currency	UZS
Offering price	0
Deposit requirement	100 (%)
The number of issued stocks	2 700 000
Total offered stocks	113 717

In this process, total offered stocks are 113 717 from total issued 2,7 mln.





stocks (Table 2). The company are paying attention to be public with the help of IPO operations. By doing this process, the company can achieve investment attractiveness, stock price growth, publicly owned status and others.

Conclusions

The following conclusions are given through the analyzing organization and regulation of the corporate securities operations in capital market.

Firstly, we cannot say that there is the strategic planning system in the field of capital market development in Uzbekistan. If this system is created effectively, we can solve several problematic situations such as lack of specialists in this field, integration between local capital market and global capital market.

Secondly, the liquidity of the securities market is low, there is a need to develop the secondary market of long-term securities, there are not enough types of financial instruments to put into practice and others. These factors are main causes for not developing capital market in Uzbekistan.

Thirdly, efforts to attract large institutional investors with long-term financial resources to the capital market are passive. Moreover, the market infrastructure is provided insufficiently with modern information and communication systems, as well as the capabilities of local systems are used inefficiently in this area.

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