



THE ROLE OF DERIVATIVES IN THE ECONOMY OF UZBEKISTAN

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Relevance of the topic: In the context of financial globalization in recent decades, national capital markets have been integrated into a single investment space, as a result of which countries' funds are looking for ways to more profitably deploy their funds around the world, and foreign capital is actively attracted to finance national capital. Today, competition for financial resources has become global. At the same time, the expansion of securitization processes includes an increase in the number of non-financial assets in the world financial circulation.

The derivatives market is one of the fastest growing segments of the financial market. At the end of 2012, the total volume of this market is about 640 trillion. USD, which is 10 times more than the world GDP. Derivatives market trends 2022-2027 The market size is expected to reach 39.17 billion US dollars. The rapid growth rate

ABSTRACT

In this study, the author mainly presents the concepts of tariffs about the economic significance and necessity of Derivatives. The article mainly evaluates the positive and negative characteristics of Derivatives in order to study the importance of the introduction of financial instruments into the economy of Uzbekistan. assessed the current situation. Derivative financial instruments, the specific features of the current period of market development are revealed. The main goal of derivatives entering the market of Uzbekistan is to protect its participants from financial risks

and size of this market is the result of the manifestation of the imbalance between the real and financial sectors of the economy and the needs of the participants of economic activity. At the same time, new trading centers are being formed for these tools, the level of interdependence and integration between them is constantly increasing.

Derivatives features such as high liquidity and hybridity have contributed to the growth of trading volume in these instruments. It should be noted that the high liquidity of derivatives is determined by the fact that they can be sold at any time in one of the secondary market segments: the stock exchange, and the hybrid nature of these financial instruments allows them to be used to achieve several goals, as well as to serve different segments of the market. Liberalization of international currency relations and finance In the



context of the globalization of markets, the wide use of derivative instruments creates new problems for regulators.

The derivatives market plays an important role in the economy of developed and developing countries. Despite the appearance of the first trading platforms at the beginning of the 20th century, the rapid development of derivatives began in the following decades, which led to an increase in the volume of transactions in this market. will seriously change various aspects, relations with other sectors of the economy.

The purpose of the study: The role of derivatives in the effective management of foreign exchange risks in relation to external debt from the public and private sectors of Uzbekistan, the role in the effective management of foreign currency risks in relation to external debt from the public and private sectors of Uzbekistan, the development of the derivatives market, its role in the effective management of financial risks in Uzbekistan, in general, the role of derivatives in the economy of Uzbekistan and studying and evaluating the future

LITERATURE ANALYSIS FROM TOPIC SURFACE

Derivatives and their impact on the country's economy

Due to its versatility and adaptability, the market of financial instruments offers wide opportunities for various types of cost reduction and risk insurance, while it can cause serious crisis events in the economy. Many economists attribute the recent financial crisis to the uncontrolled growth of derivatives and the inability to assess their true value. Despite this uncertainty for these financial instruments, investors' interest in them continues to grow. Since

the mid-1970s, when derivatives trading began in the United States, the derivatives market has grown tremendously, and it is not an easy task to evaluate the market today. So, according to some reports,

Derivatives

According to the definition of International Financial Reporting Standards (IFRS-32), Derivatives are a financial instrument (a contract that creates a financial asset of one company and a financial liability or capital instrument of another at the same time): As a result of changes in value, interest rates, securities, prices, exchange rates, changes as a result of changes in a price or exchange rate index, credit rating or credit index or other variable; A small initial investment is required for purchase compared to other contracts, the speed of which is similar to the change in market conditions;

The easiest way to identify a derivative instrument is to compare it to another financial equity or debt asset. Among the common features, it is possible to distinguish the reflection of funds as an investment for the investor or as a source of funds for the issuer, as well as the fact that derivatives, equity and debt assets are financial market instruments that can be traded and exchanged for surplus funds.

Derivatives are divided into two major groups: futures and structured products.

Basic tools:

There are many characteristics of the classification of derivatives: types of transactions, types of underlying assets, duration of use, etc. But it is more correct to understand the essence of the difference between them by dividing the derivatives according to the purpose of their creation. Thus, there are the following types of derivatives.



☒ Derivatives related to the obligation to perform a certain action in the future. These include futures (a standard exchange contract based on the obligation of the seller and buyer to enter into a transaction or settlement in cash for a specific asset) and forward (based on the obligation of the seller to deliver goods). The main asset is obliged to fulfill an alternative monetary obligation to the buyer or an alternative monetary obligation within the specified period of the contract, and the buyer undertakes to accept and pay for this main asset, and according to the terms of the contract, the parties have opposite funds. There are obligations in the amount depending on the value of the main asset indicator at the time of fulfillment of obligations in the order and terms or periods specified in the contract.

☒ Derivatives relate to the right to perform certain actions in the future, which one party may or may not exercise at its discretion. Classic examples are options (a contract in which a potential buyer or potential seller acquires the right, but not the obligation, to buy or sell an asset (commodity, security) at a predetermined price in the future or more).

☒ Derivatives related to the obligation of the parties to perform a transaction opposite to the currently concluded transaction. For example, REPO operations (an obligation to repurchase securities at a specified price) and swaps (trading and financial exchange operations in the form of the exchange of various assets, in which the conclusion of a transaction on the purchase or sale of securities or currency) then a resale or purchase transaction on the same or different terms).

☒ Derivatives related to the occurrence of certain obligations for the

issuer in the event of a certain event in the future. For example, a credit default swap (under this contract, the buyer pays one-time or regular contributions (pays a premium) to the CDS issuer, who, in turn, undertakes to repay the loan made by the buyer to a third party, if he owes it. The buyer receives a security - a previously issued loan or the type of insurance for the purchased debt obligation. In case of default, the buyer transfers the debtor's securities to the issuer (loan agreement, bonds, promissory notes) and in return receives compensation from the issuer for the amount of the debt and all remaining interest until the end of the payment period).

These futures can be traded both for speculative purposes and to hedge the risk of changes in the exchange rate difference between two currencies. Most hedging is used when receipts and expenses are expected to be in different currencies. At the same time, it should be understood that the use of "leverage" significantly increases the possible losses of the investor. In order to carry out transactions with futures, the investor must conclude a contract with a broker, and after a day he can execute transactions.

An investor buys a note assuming that the joint growth of the two index values will be equal to a certain value. If after a certain period, for example, after 6 months, the growth of the two indices reaches a certain value, for example, 10% or more, the investor will receive the amount of note and delta calculated according to the number of indicators.

The use of derivatives in foreign countries and their importance in the economy



Western companies actively use derivatives to optimize financial flows and manage the risk of changes in commodity prices, interest rates and exchange rates. Thus, in 2011-2019, according to the International Association of Swaps and Derivatives, 95% of the world's 500 largest companies and 60% of 7300 companies (about 80% of the capitalization of the non-financial sector of the world economy) used derivatives to hedge not only currency, interest rate and commodity risks. It was also used to reduce interest rates on loans, increase working capital and its profitability. For example, a FRA (Forward Rate Agreement) can protect a company's interest from changes in interest rates over the life of the loan.

Investee companies use derivatives to effectively manage their business. Some countries whose economy is mainly dependent on one product insure their state budgets using derivative instruments. For example, South Africa has developed a program to use gold-based derivatives to hedge treasury yields. The US state of Texas, whose budget depends on the sale of oil, uses various derivative strategies to hedge risks associated with changes in the price of this raw material.

Over the past 25 years, many companies in the real economy have turned their finance departments into profit centers through derivative speculation. However, the use of derivatives not only for hedging operations, but also for working in speculative markets can lead to the loss of all funds invested in speculation and even bankruptcy of the company.

RESULT DISCUSSION

Although Uzbekistan chose the path of market economy in the years of independence, the introduction of

mechanisms of market economy was clearly visible in 2021-2022, and these mechanisms are increasing more and more in all areas. Of course, if we want to achieve economic development, we must move to free market conditions. This is one of the laws of market economy. Among these changes, the general inflation rate in 2022 was estimated by the NBU to drop to 9%, and by the middle of 2022, the inflation rate was 14-15%, indicating that the mechanisms of the market economy have begun to work.

The analyzes presented by experts show that the liquidity of the financial market in Uzbekistan is not at the required level. The current state of the secondary market and the population are slowing down the activity of other securities market participants in the financial market.

Due to disruptions in the real sector of the economy and the financial market, enterprises face difficulties in using modern tools of the financial market to attract investment funds. The issue of increasing the weight of households in the corporate securities market through the penetration of the financial market remains one of the urgent problems waiting for a solution. In addition, lending, savings-deposit, money transfers, account-cash operations, insurance, collection, financial guarantee and currency exchange. The provision of financial services, such as sales, has not been properly established in our country, that is, on the basis of international standards. Exchange, leasing, rating, reinsurance, brokerage, property valuation, which are widely used in the experience of economically developed countries,

Liberalization of financial instruments in Uzbekistan and increasing their



importance in the market economy of Uzbekistan is becoming an important issue. Well, what role will our entry into the derivatives market play for the economy of Uzbekistan?

The first test swap operation will allow the use of derivatives with international counterparties to effectively manage currency risks in relation to external debt from the public and private sectors of Uzbekistan;

- Taking into account the specific features of attracting foreign investments in national currency, they become an alternative means of converting foreign currency investments into soms through derivative instruments;

- The development of the derivatives market serves the effective management of financial risks in Uzbekistan, the correct assessment of soum assets and liabilities, as well as the formation of the national currency market abroad.

Currently, in order to widely use derivative instruments with international counterparties, the Ministry of Finance is working on the project "Creation of legislation on derivatives and REPO operations" in cooperation with the EBRD. In addition, the TCX Fund expressed its readiness to contribute to the formation of the Uzbek foreign exchange market abroad, to gain experience in the use of relevant tools, and to contribute to the development of financial literacy in our country.

Regulation of legislation

With the creation of legislation on derivatives and REPO operations, operations are carried out in almost all countries of the world, but in order to understand the specific features of state regulation of this market, one can take the example of the USA and the European

Union as regions where the development of the derivatives market is developed. Due to the large debt burden of a number of countries and large companies, attempts are being made to further analyze this market and develop regulatory measures.

Currently, the self-regulation system dominates in the USA, and most of the EU member states have a system of state regulation of the financial market. There is no tendency to strengthen the state regulation of the derivatives market in the legislation of Uzbekistan. Thus, the first steps have been taken to determine the futures operations, and now 2022 has been observed. At the same time, the high risk of transactions with derivatives has not yet been determined, therefore, the criteria for assessing the level of risk have not been introduced.

Also, one of the important aspects of state regulation of operations with foreign derivatives is the need for investors to obtain the status of the country.

It should be noted that there are no restrictions on concluding transactions with financial instruments of Uzbekistan, they can be bought and sold by individuals and legal entities.

Taxation of transactions with derivatives
Thus, income received from operations with financial instruments of futures operations is recognized as the sum of income from the sale of financial instruments of futures operations received during the tax period, including margin of changes and premiums received under contracts. At the same time, income from operations with the main asset of financial instruments of futures operations is recognized as income from the delivery of the main asset during the implementation of such operations.



CONCLUSION

Theoretical approaches to the interpretation of derivatives as Derivatives, which are covered in the works of foreign and domestic authors, are the result of research. Thus, the first approach is focused on the close connection between other areas of the economy, focusing on the necessity of Derivatives in the economy. The authors of the second approach revealed the essence of derivatives in terms of their derivative and duration from the main asset. Also in the article, a number of features aimed at revealing the essence of Derivatives in detail were given.

The conditions for the emergence of swap contracts in the conditions of Uzbekistan are explained in two ways: economic and political. From an economic point of view, the main condition is the need for protection. From a political point of view, the author shows the need to centralize and regulate a new type of economic relations between enterprises. The need to control this process is the result of additional profit Derivatives. Derivatives have many features, including hedging and increased risk. The interaction of these seemingly opposite aspects is due to a synergistic effect. In general, it is necessary to take into account its negative aspects when evaluating its place in the economy of

Uzbekistan. Basically, this can only happen due to deficiencies in accounting, banking supervision and monetary policy.

If we draw conclusions about derivatives in the economy of foreign countries, the main trends in the development of the derivatives market in the economy of developed countries consist of the formation of two main trends: market changes as a result of increased competition from developing entities and changes related to the consequences of the global financial crisis. In the economies of developed countries, the process of market modernization has always been continuous, because they are leaders in this segment. However, differences in productivity between developed and developing countries are putting serious pressure on traders. This factor largely affects the interests of financial and non-financial institutions, as well as is the main reason for the reorientation of trends in the formation of a multipolar market. The global financial crisis had a significant impact on the further development of derivative markets in developed countries. First of all, it significantly increased the number of legislative initiatives aimed at strengthening control over the over-the-counter market.

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