

## **THE ROLE AND SIGNIFICANCE OF THE SECURITIES MARKET IN IMPROVING THE FINANCIAL STABILITY OF COMMERCIAL BANKS**

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<https://doi.org/10.5281/zenodo.8412914>

**Abstract:** In this article comments on the role and importance of the stock market in increasing the financial stability of commercial banks are given.

**Keywords:** Stocks, forms, certificates, shares, bonds, treasury bills, certificates of deposit, promissory notes, liquidity, credit rating, source of capital increase.

Securities can be undocumented in the form of forms, certificates or records in the depository's accounting registers and can be used for settlement and as collateral for loans. Securities are distributed among legal entities and individuals on a voluntary basis.

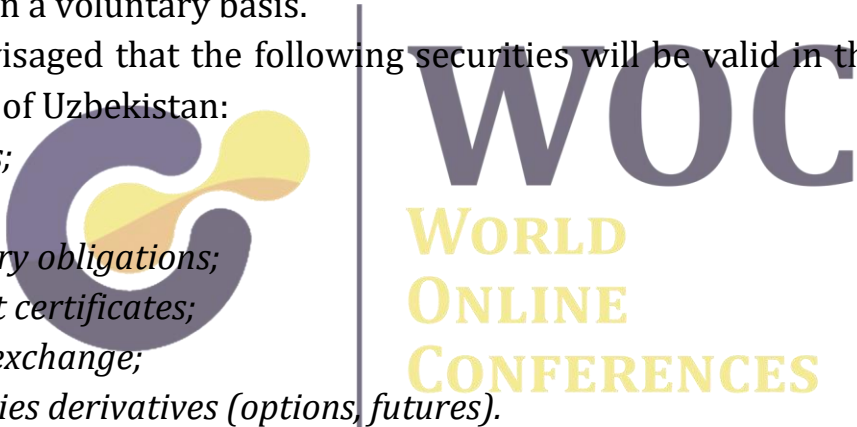
It is envisaged that the following securities will be valid in the territory of the Republic of Uzbekistan:

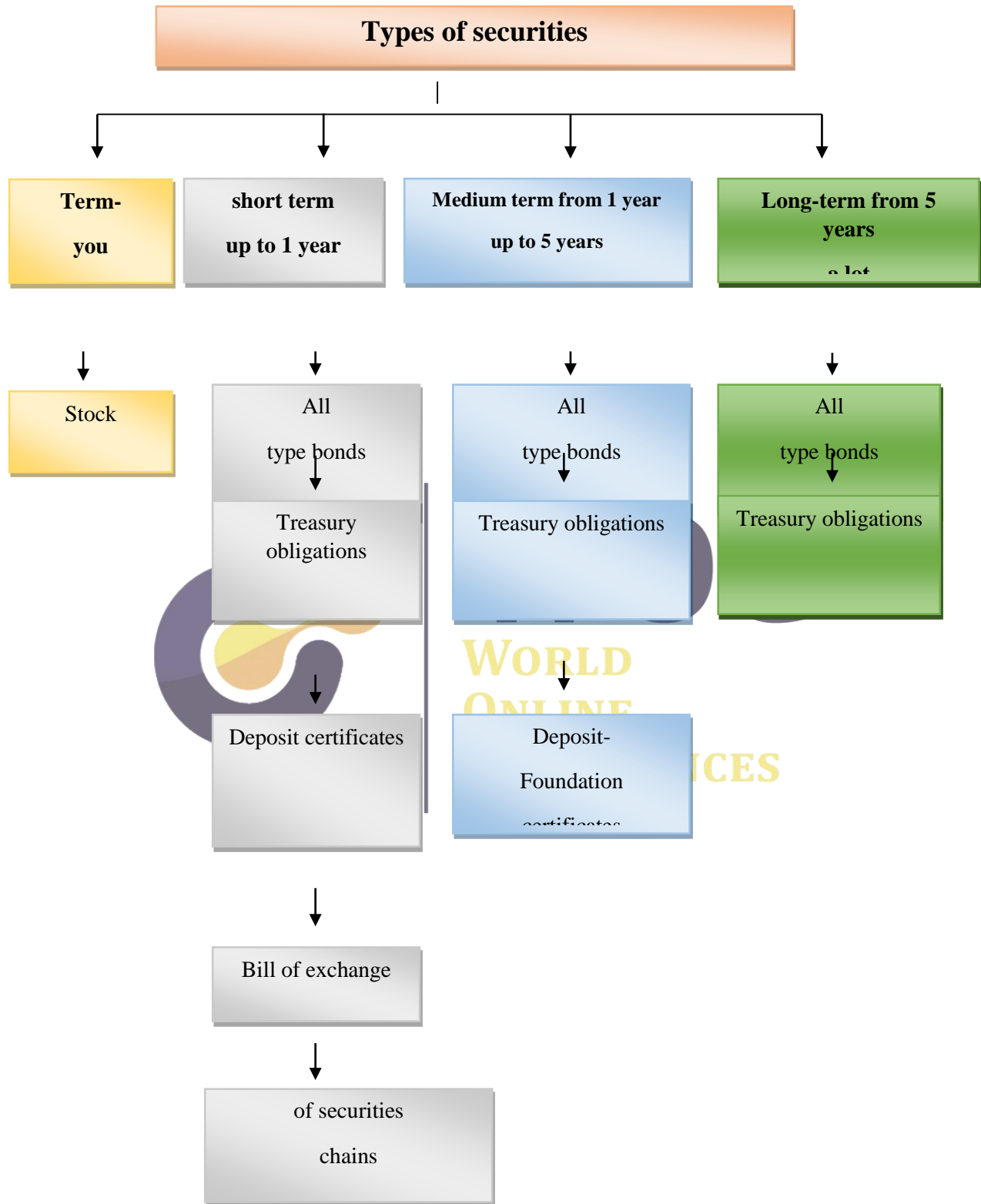
1. *Actions;*
2. *Bonds;*
3. *Treasury obligations;*
4. *Deposit certificates;*
5. *Bill of exchange;*
6. *Securities derivatives (options, futures).*

Regardless of the form of the included share, the value of securities is expressed and paid in the national currency of the Republic of Uzbekistan "soum", and in the cases provided for in the terms of their issue - in foreign currency (in the case of shares - also by transfer of property).

Securities that can be put into circulation on the territory of our country can be divided into ownership (equity), debt, and derivatives of securities. It should be noted that among securities, only shares are part of equity securities. Its remaining types include debentures, treasury bills, certificates of deposit and promissory notes.

In international practice, in addition to ownership rights, securities can be classified according to the period of validity in circulation. This can be seen in the figure below. (See Figure 1)





**Figure 1. Classification of securities by maturity**

As you can see from the picture above, securities are divided into named and bearer types based on the form of their circulation.



It should be noted that securities have different characteristics than money.

These features are:

1. Liquidity (efficiency);
2. Usefulness;
3. Level of reliability;
4. A source of capital increase;
5. risk

The activities of commercial banks in the securities market can be conditionally divided into three areas: emission, investment and mediation.

The active participation of commercial banks in the stock market can be explained by the fact that today they are the only competitive investors in terms of capital liquidity and stability. They have more opportunities compared to other economic agents by carrying out intermediary activities. Another advantage of banks is that they can competently analyze economic risk, market situation. The transition to the market economy envisages the distribution and redistribution of financial resources in the stock market with the active participation of commercial banks.

In accordance with the Law of the Republic of Uzbekistan "On Banks and Banking Activities", commercial banks are allowed to carry out the following operations in the securities market:

- issuance of securities (promissory notes, shares, bonds, certificates of deposit, etc.);
- buying, selling, storing securities and carrying out other operations with them;
- obtaining the right of demand arising from the delivery of goods and services, collecting the demands from it;
- performing operations entrusted by clients: attracting and placing funds, managing securities, etc.;
- providing advice to stock market participants regarding banking activities in this regard.

Banking policy is conducted with multiple objectives in mind. The main objectives of banks in the securities market are as follows:

1. attraction of additional monetary resources for conducting traditional credit and settlement activities based on the issuance of securities;
2. profit from their investments in securities in return for interest and dividends paid to the bank and due to the increase in the exchange rate of securities;

3. profiting from the provision of securities operations services to clients;
4. expansion of the bank's sphere of influence on the basis of free competition and attraction of new clients in exchange for participation in the capital of enterprises and organizations;
5. the use of such resources through securities that give the right to enjoy scarce resources and become the bank's;
6. maintaining the necessary reserve of liquidity while ensuring the profitability of investments in the bank's liquidity funds;
7. insuring clients' financial risks from the normal sale of securities and transactions with securities derivatives.

The laws allow commercial banks to issue securities such as shares, bonds, certificates of deposit and savings certificates, and promissory notes. Banks issue shares in order to form authorized funds.

Since there are no restrictions for commercial banks on the implementation of the above-mentioned types of activities, they work as a professional participant-investment institution in the stock market.

General banking license for the activities of commercial banks in the securities market is carried out in There is only one restriction regarding the specialists of commercial banks who carry out operations related to securities. They must attend the course "Operations on precious securities" organized by the Ministry of Finance and receive qualification diplomas with the names of stock market specialists.

In order to increase their financial stability, commercial banks operate as the largest brokers and dealers in the stock market of Uzbekistan. Many commercial banks in Uzbekistan form a portfolio of securities by investing their funds in various financial instruments. In this case, the bank forms a portfolio of highly liquid and high-yield funds and develops a specific investment policy. Dealer operations with fund securities carried out by the bank on its own account are widespread, their purpose is to profit from the difference in the price of buying and selling securities.

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