

Structural Features of Commercial Banks' Securities Transactions

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Abstract: This article presents the fact that the structural features of transactions with securities of commercial banks depend on several factors, such as the ways of development and improvement of banks' activities in the stock market, as well as the formation of the securities market, the component of which is considered in a socially oriented market based on the principles of the securities market model. Also, today, among the participants of the securities market, banks are represented in almost all legally permitted financial instruments of the stock market: existing problems in issuing shares, bonds, certificates of deposit and bills of exchange as issuers, as well as author's approaches and proposals to eliminate them.

Key words: banking, commercial banks, securities, diversification, interest rate, stocks, bonds, certificates of deposit and promissory notes.



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INTRODUCTION.

In the Republic of Uzbekistan, banks, as financial and credit institutions, are allowed to carry out all operations in the stock market. Banks and the securities market are the most important components of the country's financial system. From the point of view of economic development, the tasks of both the banking system and the securities market are to accumulate temporarily free funds, redistribute them and invest them in the most profitable sectors of the national economy. The randomness of the tasks, and therefore the methods of achieving them, turn banks and other participants in the securities market into competitors for financial resources.

In fact, the high share of banks among the participants in the securities market of our republic evens out this contradiction. The securities market is becoming an additional source of financing and attracting financial resources for the banking system. Commercial banks operate in the securities market with various goals, in particular: to make a profit from securities transactions, expand and diversify the income base, ensure the liquidity of assets, reduce the overall level of risks, create a favorable image of the bank, and attract new clients.

Active operations with securities provide banks with a presence in the most dynamic financial markets, allow them to increase their client base, expand the range of services provided, strengthen their influence on clients, and open up the possibility of managing their own assets

through the management of their securities. The scope of passive operations with securities is not so wide. These are the issuance operations of banks aimed at attracting additional funds. Banks issue both issueable securities (stocks, bonds) and non-issueable securities (certificates of deposit and savings, bills, derivative securities).

In order to reveal the characteristics of banks' activities in the stock market and their determining factors, the following is necessary:

- 1) Analysis of the structure and dynamics of banks' securities transactions.
- 2) To study the structure and dynamics of operations of certain categories of banks in the stock market.
- 3) Identify the reasons that determine the dynamics and structure of banks' transactions with securities.

The Decree of the President of the Republic of Uzbekistan No. UF-5992 “On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025”, adopted on May 12, 2020, stated the need to “invigorate banks' operations in the securities market; reduce administrative barriers to the issuance and placement of corporate bonds and other instruments by commercial banks, while simultaneously strengthening control; and create a legal framework for the issuance of banks' securities on the international capital market” [1] .

Achieving these goals requires an analysis of the volume and structure of banks' securities transactions. It should be noted that commercial banks in our country consider the securities market as an auxiliary area of their activities and play an important role in the business model of commercial banks, which is of great importance not only for generating income, but also for expanding the client base by providing various financial services.

LITERATURE REVIEW.

In recent years, a number of domestic and foreign scholars have conducted research to study the structural features of commercial banks' operations with securities . In particular, according to foreign scholars L. Gitman and M. Jonk, the securities market is a mechanism for concluding transactions between suppliers and consumers of cash, and stock exchanges are centralized institutions that organize the mutual relations of buyers and sellers of certain securities [2] .

R. Tooles, E. Bradley, T. Tooles, thinking about the securities market and its important component, the stock exchange, argue that creating a stable market for individual issues of securities is undoubtedly one of the important tasks of the stock exchange. In a stable market, securities are bought and sold in large volumes, since there are no large fluctuations in current market prices, - they emphasize [3] .

According to the Russian scientist V. Nikiforova, the trading system of the securities market is a collection of forms and methods of organizing the sale of securities, as well as professional participants serving these processes [4] . According to V. Galanov and A. Basov, in general, the securities market can be defined as a set of economic relations of its participants on the issue of securities and their circulation [5] .

According to one of our country's leading scholars in the field, I.L. Butikov, "a classic stock exchange is a constantly operating wholesale market for the best securities, organized by professional participants, which has its own rules for trading and licensing securities and brokers" [6] .

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Local scientists K. Tolipov, A. Obidov, S. Razzakova said "According to the current legislation in our country, commercial banks licensed to carry out banking activities have the right to carry out professional activities in the securities market as investment intermediaries, trustees of investment assets, and investment consultants. In this case, commercial banks are not required to obtain a license to carry out professional activities in the securities market"[7].

Taking into account the above considerations, the fact that today the leadership of our country pays great attention to the consistent development of the banking system of the republic and implements systematic measures to further increase the level of capitalization of banks and strengthen their resource base is causing investors to increasingly show interest in bank shares on the stock exchange. The growing interest in bank shares is closely related to such factors as their reliability, stability, constant growth in income, and the active implementation of legislative norms on disclosure of information to shareholders.

RESEARCH METHODOLOGY.

This In preparing the article, a comparative and critical analysis of the legal and regulatory documents, the literature and Internet information used, and the scientific and theoretical views of economists on the topic were conducted. In the course of studying the topic, along with general economic methods, systematic analysis, generalization, abstract-logical thinking, and statistical methods were used.

ANALYSIS AND RESULTS.

The global securities market is one of the most important components of the economy, and the stock market is its necessary link. The capitalization of securities listed on global stock exchanges "in 2021 amounted to a total of 124.5 trillion dollars, with the main share being occupied by the countries of the Americas (North and South America) with 46 percent, the countries of the Asia-Pacific region (APAC) with 32 percent, and the countries of Europe, the Middle East and Africa (EMEA) with 22 percent" [8]. Particular attention is paid to the development of the capital market in the world, increasing the issuance of securities, and expanding the participation of individuals and legal entities in the stock market.

The lack of development of the primary and secondary securities markets in Uzbekistan, the lack of provision of financial literacy to increase the population's willingness to buy shares and their importance as a source of income, and the ineffective regulation of the stock market are hindering the development of the stock market. In Uzbekistan, new tasks have been set, such as "in order to increase financial resources in the economy, to increase the stock market turnover from 200 million US dollars to 7 billion US dollars in the next 5 years, to gradually liberalize the movement of capital in our country, to increase liquidity in the corporate securities market, and to develop the capital market infrastructure." [8].

Today, instruments in the stock market are classified in two different ways. According to the first form of classification, the stock is a share, and the bond is based on debt and ownership, and derivative financial instruments form the securities market.

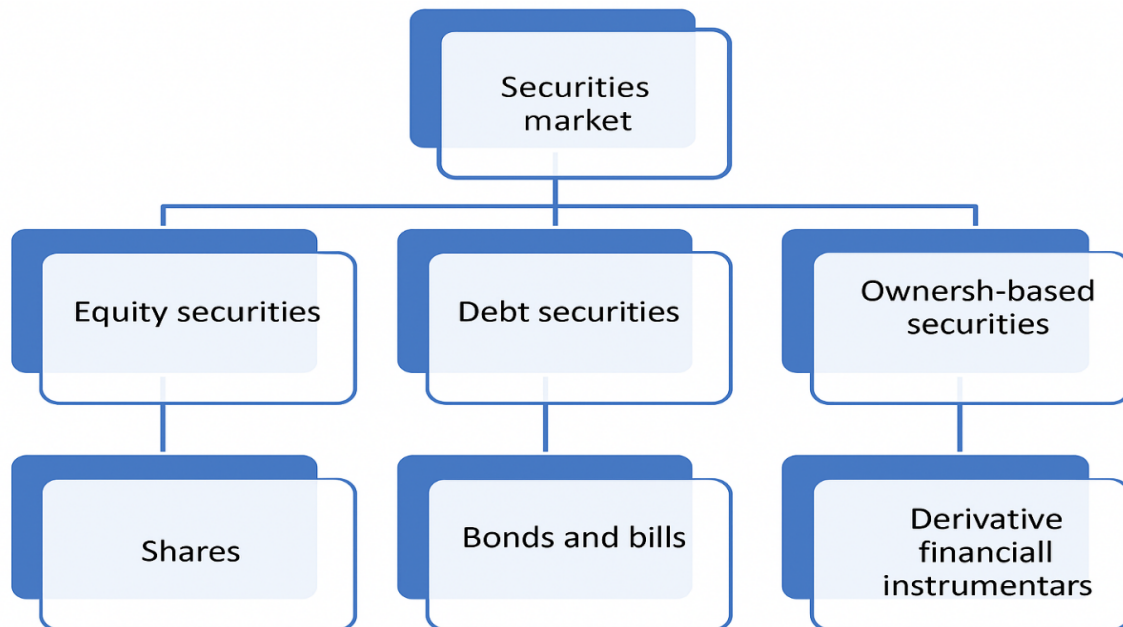


Figure 1. Elements of the stock market in the country's economy¹

The securities market is an important component of the financial system and the country's economy as a whole. It includes various elements, each of which plays its own role in the functioning of this market. In particular, organizations (state, municipal or private companies) that issue securities to raise capital. Issuers can issue stocks, bonds and other financial instruments. There are also market participants who buy securities to make a profit. Investors can be both individuals and institutional investors (for example, pension funds, insurance companies).

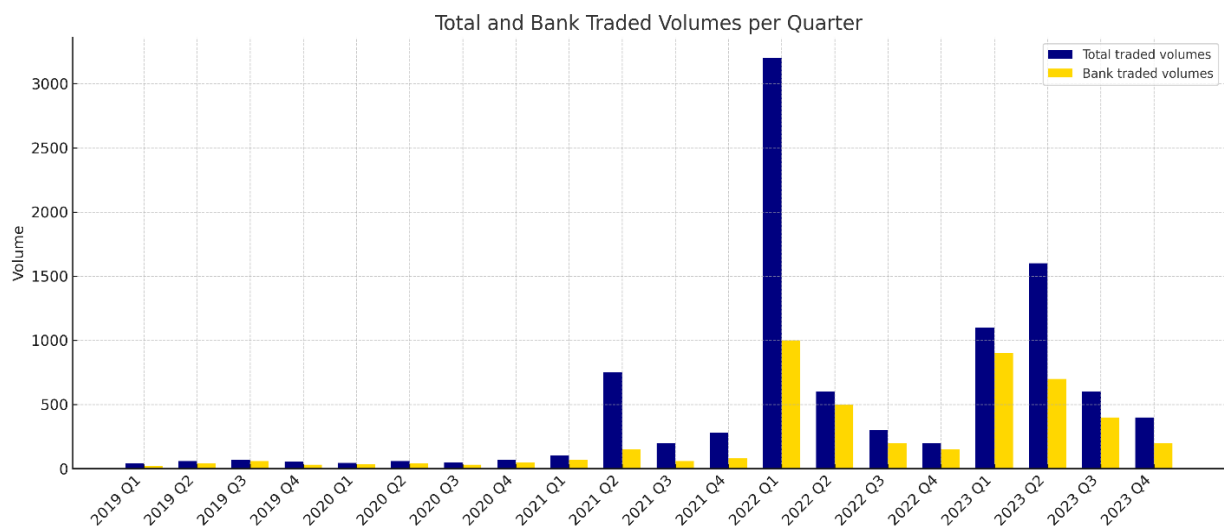


Figure 2. The volume of transactions concluded at the Republican Stock Exchange ², billion soums

These elements interact with each other, creating a dynamic ecosystem for securities trading and ensuring the efficient allocation of resources in the country's economy.

¹ Author development

² Republic fund stock exchange , Uzbekistan Republic currency stock exchange and Central compiled by the author based on bank data

State securities in the economy of our country profitability In 2023 The central bank is the main one rate remain unchanged and relatively balanced demand and of the proposal sharp due to its formation change not observed .

An increase in the attractiveness of deposits offered by banks due to an increase in the main rate reduces the demand for bonds. Usually, bonds are long-term and have fixed interest rates. As a result, due to changes in supply and demand in the capital market, bond prices begin to fall.

Last in years securities in banks and despite the increase in the volume of investments made to them , in their bank assets The share of the banking sector is forming at a low level . As of January 1, 2024, the volume of securities in the banking sector amounted to 24.5 trillion soums . eat Also , bank assets in 2023 in the composition valuable of papers share 1 interest to the point decreasing 3.8 percent organization has done .

Table 1. Current rent in our country of banks collection balance³

Indicators name	01.01.2022 billion. sum	01.01.2023 billion. sum	01.01.2024 billion. sum	Change in 2024 compared to 2022, (+,-)
1	2	3	4	5
Assets				
At the cash register cash money and other payment documents	10 686.3	19 309.1	20 201.8	9,515.5
Central at the bank funds	31 514.6	36 592.1	33 228.0	1,713.4
Other in banks funds - residents	13 302.5	17 423.7	24 368.5	11,066.0
Other in banks funds - non-residents	25 074.0	37 688.3	28 862.5	3,788.5
Investments and other valuable papers	19 633.7	31 507.9	32 548.3	12,914.6
Customers financial instruments according to obligations	1 251.0	1 606.3	3 334.0	2,083.0
Credit investments, pure	316 382.4	378 909.2	457 847.1	141,464.7
Main tools, pure	11 031.9	14 242.9	19 874.9	8,843.0
Assets according to calculated interest	9 387.1	12 295.3	19 249.8	9,862.7
The bank other private properties	1 339.4	3 065.5	4 483.5	3 144.1
Other assets	5 319.6	4 105.8	8 158.7	2,839.1
Total assets	444 922.5	556 746.3	652 157.1	207 234.6
Obligations				
Deposits	156 189.8	216 737.5	241 686.6	85,496.8
Central the bank invoices	708.8	784.3	1 345.1	636.3
Other of banks funds - residents	13 288.6	18 780.8	24 577.0	11,288.4
Other of banks funds - non-residents	4 670.8	22 798.5	20 073.5	15,402.7
Taken loans and leasing	173 750.3	186 614.5	224 350.7	50,600.4
Released valuable papers	10 612.7	10 915.2	13 160.6	2,547.9
Subordinar debts	4 248.5	6 619.3	9 653.0	5,404.5

³ https://cbu.uz/upload/medialibrary/5c4/iaelrlqezul62kxg0yjobrsu0h7g3g2t/MB-Statistik-byulleteni_-2023-yil.pdf

Payment necessary was calculated interest	3 960.0	5 487.1	8 106.5	4 146.5
Other obligations	6 575.4	8 443.6	12 124.9	5,549.5
Total obligations	374 004.9	477 180.8	555 077.9	181,073.0
Capital				
Charter capital	54 760.0	59 856.7	68 643.0	13,883.0
Additional capital	675.5	997.5	1 338.8	663.3
Reserve capital	8 452.2	7 320.6	11 152.6	2,700.4
Undistributed benefit	7 029.9	11 390.6	15 944.8	8,914.9
Total capital	70 917.6	79 565.4	97 079.2	26 161.6

From the data in Table 1 above, it can be seen that the total number of operations related to investments and other securities by commercial banks in 2024 amounted to 32,548.3 billion soums. This indicator increased by 12,914.6 billion soums compared to 2022. Also, the fact that its share in total assets in 2024 was 4.9 percent indicates that operations related to investments and other securities in commercial banks are not well developed. Also, the total number of securities issued by commercial banks in 2024 amounted to 13,160.6 billion soums. This indicator increased by 2,547.9 billion soums compared to 2022, indicating that the securities market in our country is developing slowly.

In general, based on the above analysis, it is desirable to create a generally accepted system of indicators for the analysis of the situation in the stock market, to calculate and announce the stock index in the above-suggested way.

Conclusions and suggestions. In conclusion, it is worth noting that the structural features of commercial banks' securities operations can be considered through several main aspects:

1. Types of securities:

- ✓ Debt securities: bonds, promissory notes, certificates of deposit.
- ✓ Securities: shares, shares of investment funds.
- ✓ Derivatives: options, futures and other derivatives.

2. Duties of commercial banks in the stock market:

- ✓ Investment transactions: buying and selling securities to generate income (either from exchange rate differences, dividends or coupons).
- ✓ Underwriting: assisting in the launch of new issues of securities into the market.
- ✓ Brokerage services: mediation in transactions for the purchase and sale of securities for bank clients.
- ✓ Deposit services: storage and accounting of securities.

3. Risk management:

- ✓ Assessing market risk, credit risk, and liquidity when conducting securities transactions.
- ✓ Use hedging to reduce potential losses.

4. Regulatory regulation and compliance:

- ✓ Compliance with the requirements of the legislation on the stock market (for example, disclosure requirements).
- ✓ Compliance with the bank's internal regulations.

5. Investment portfolio strategies:

- ✓ Asset diversification to reduce risks.
- ✓ Active or passive portfolio management depending on market conditions.

6. Analysis and evaluation:

- ✓ Analyze the market and individual issuers to make investment decisions.
- ✓ Use of various methods of stock valuation (cash flow discounting, multipliers).

These structural features help commercial banks effectively manage securities transactions and generate stable income for themselves and their clients.

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