



DIRECTIONS OF STATE REGULATION OF THE STOCK MARKET

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ABSTRACT

This article is devoted to the directions of state regulation of the stock market in Uzbekistan, in particular, to the analysis of the development of the stock market and the existing problems of state regulation of the stock market. The article analyzes the state and development trends of the stock market in the context of macroeconomic policy, reducing state participation in the economy, protecting private property rights and strengthening its priority position, effective regulation and management of the stock market by the state, increasing its role in the economy.

KEYWORDS: *stock market, stock, bond, investor, deposit, fund, issuer, joint stock company, deficit, inflation, primary and secondary market, stock exchange, private property, corporate governance, capital market, financial institutions, monetary policy, tax policy.*

INTRODUCTION

In the context of globalization, Uzbekistan has not tried to artificially accelerate the process of liberalization and development of the stock market, but has focused on the quality of reforms and their timely implementation. The creation of a stock market system in line with the requirements of the time has been carried out gradually, and this process is continuing steadily.

The first stage of the reform was associated with the implementation of a number of measures aimed at the organizational and legal framework of the stock market and the formation of its foundation. In particular, the large-scale privatization process that began in the country served as the main basis for its formation. Reforms were carried out based on the new version of the Law of the Republic of Uzbekistan "On denationalization and privatization" [1], "On securities and stock exchange" [2]. Adoption of these laws is a strong factor for both quantitative (increase in the number of JSCs and investment institutions) and qualitative development (expansion of business entities engaged in securities transactions).

"Modern standards and methods of corporate governance in the process of reducing state participation in the economy, protection of private property rights and strengthening its priority position, development of the stock market as an alternative source of capital, financial institutions and free resources of the population, continuing institutional

and structural reforms A strategy of important measures on strengthening the role of shareholders in the strategic management of enterprises, capital market, increasing the types of securities traded in the capital market, in particular, the priorities for the development of the stock market "[3] was developed and identified.

MAIN PART

The study of the stages of development of the republican stock market allows to identify the main factors that influenced its development in 1991-2020. Such factors include: privatization of state-owned enterprises; formation of share capital for the creation of new joint-stock companies without state participation; increase in indebtedness between economic entities and, as a result, promissory notes issued as a specific financial instrument; development of the practice of financing the state budget deficit from non-inflationary sources; lack of own funds at the disposal of business entities and the use of corporate bonds, which are an unconventional source of their formation; the rapid pace of development of banking and the issuance of certificates of deposit for the formation of bank liabilities; the growth of enterprises and organizations of the country and the population's savings and the desire to increase them; factors related to the inflow of foreign capital into various sectors of the economy.

With the help of various instruments of the stock market there is an opportunity to solve the problem of reducing the amount of excess money in circulation. The purchase of shares, bonds and other securities by the population in cash reduces the amount of currency in circulation and has an effective effect on the circular circulation of money. This, in turn, has served as a benchmark for investors in the Uzbek economy, both large and small, and the interest of foreign investors in Uzbekistan is growing.

The role of the stock market in developing countries is that it is primarily aimed at mobilizing free funds of the population, enterprises and organizations, the state and directing them to various sectors of the economy. As a result, capital consumers will have access to funding sources, while investors will have the opportunity to own and maintain and further increase the amount of capital they own. This is a result that is related to the redistribution function of the stock market and is an effective and positive outcome for transition economies in relation to other outcome indicators of the stock market.

The importance of this component of the stock market is that if the state can establish an effective mechanism of the stock market, it will in many respects solve the problem of financing the national economy. This problem is especially important for developing countries that have chosen the path of independent development. However,

research shows that government regulation is an important and integral part of any market system, including the financial system.

There are different approaches among local and foreign economists to the concept of "regulation of the stock market" and its organization in practice. Any market, especially the financial market, is regulated by the state, regardless of the legal traditions of the country, the level of development of self-regulatory organizations (SROs) and other conditions. This is because the state, as a leading institution of governance, initially had key regulatory functions in all sectors of the economy. According to economist J. Mirkin, "the state should play an active role in the formation of the stock market (for example, as in any other market), and the main attention should be paid to the financial security of the country" [4]. In T. Berdnikova's research, "the regulation of the stock market is defined as a system that is expressed in a set of specific methods and techniques of regulating the activities and development of the stock market" [5]. In the scientific works of V. Galanov and A. Basov, "regulation of the securities market is interpreted by the competent authorities as the regulation of the activities (movements) of all market participants and transactions with them" [6]. According to the Law "On Securities Market", the following types of professional activities operate in the securities market (Figure 1).

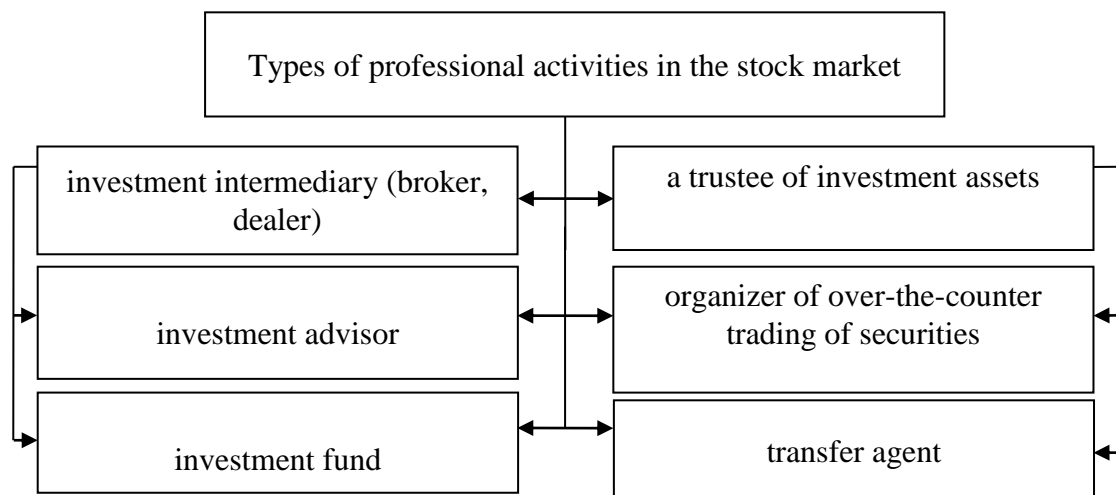


Figure 1. Types of professional activities in the stock market [7]

The legal basis for state regulation and management of the securities market has been created in our country. The Law on Securities Market No. ZRU-163, adopted on July 22, 2008, was enacted in a new edition on June 3, 2015, and as a result of the policy of economic reform in Uzbekistan serves

as a legal basis and has been highly praised by international financial institutions.

Professional activities in the securities market meet the demand of real sectors of the economy (production) for financial resources by attracting all available funds of legal entities and individuals, and a financial infrastructure has been



created to conduct intermediary operations between depositors and users.

The interrelation of the history of the stock market of our country with the application of regulatory documents shows that Uzbekistan has made great strides in this area and in a short time, while creating a legal framework.

By 2020, the country has adopted about 200 different regulations that directly regulate the stock market. The regulatory framework thus created allowed the emergence of market entities such as issuers, investors, investment institutions, stock exchanges, their development in terms of quantity and quality.

The fundamental principle of the development of the stock market in Uzbekistan is being decided. The theory of the securities market in the country is formed on the basis of emerging domestic business practices, taking into account the international experience of stock market development. At the same time, one of our priorities is the accelerated development of economic reforms, taking into account the recommendations of various major international organizations, such as the World Bank, the International Finance Corporation, the European Bank for Reconstruction and Development [8]. Fulfillment of the tasks related to the reform of the stock market on the basis of these recommendations will allow Uzbekistan not to repeat the mistakes made by developed countries in creating their own stock market system. The gradual and consistent application of this principle to life has made it possible to achieve significant results. Over the past few years, measures have been taken to improve the regulatory framework and regulatory processes in the field of business, to create a favorable business environment and a positive image of the country in the international arena. "As a result of measures taken over the past five years, Uzbekistan has risen from 146th to 76th place among 190 countries in the Doing Business ranking of the World Bank and International Finance Corporation." At the same time, the analysis of the structure of the stock market system in developed countries, the experience of this market in the Commonwealth of Independent States shows that it is not right for our republic to blindly copy it and not use critical approaches.

In Russia, the stock market infrastructure has long been focused mainly on temporary factors: vouchers, checks, investment funds [8], among others. There are such specific aspects of the legal, organizational, technological and other areas that direct relocation can do more harm than good socio-economic benefits. Therefore, in order to establish the necessary forms of organization of the stock market in the republic, the usual recognized

principles of its structure [8] were used, taking into account the national mentality.

A number of JSCs in Uzbekistan are established on the basis of state-owned enterprises and have their own material base, fixed and working capital. Most JSCs are enterprises engaged in the production of these real products. Models of state regulation of the securities market in foreign countries, the organizational framework and the possibility of their application in the context of Uzbekistan, the control is an important tool for state regulation of the stock market.

Our research shows that, in our opinion, the institution of self-governance is not well developed, in line with the division of stock market regulation into state and professional (i.e., specially structured securities market participants' organizations).

In order to increase the efficiency of the stock market, it will be necessary to radically reform the system of management of the country's stock market. In the first stage, in order to enhance the prestige of the regulatory body and its role in conducting public policy in the field of securities markets, it is necessary to create an independent regulatory body directly subordinate to the government, rather than within any agency. Here we are talking about a regulatory body that includes only issue securities in the scope of responsibility of the stock market. In the second stage, in the near future, in the context of high development of the stock market, it is necessary to remove from the system of executive power the body authorized to regulate the securities market. This, in turn, creates equal conditions for all participants in the stock market, including the state. The created regulatory framework provides for the emergence of market participants - issuers, investors, investment institutions, stock exchanges, their development in terms of quantity and quality. At the same time, the long-term activity of the country's stock market has clearly shown the problems in shaping its legal framework.

Despite the existence of many normative and legal acts regulating the conduct of operations in the stock market, there is a lack of norms to regulate certain areas of the stock market. On the other hand, the same norms are often repeated in many normative documents. In addition, the current legislation is not relatively incentive (for example, in the case of taxation of transactions). It also creates barriers to trading in certain sectors of the market and applies a system of non-disclosure of information (e.g., disclosure of financial position information in any form) and does not facilitate the country's integration into the international capital market. In many normative documents, some rules are very unstable, and there are many references to other pieces of legislation, and in general there is a lack of clarity. The draft normative documents will not be brought to



the attention of stock market participants and the professional community before their approval.

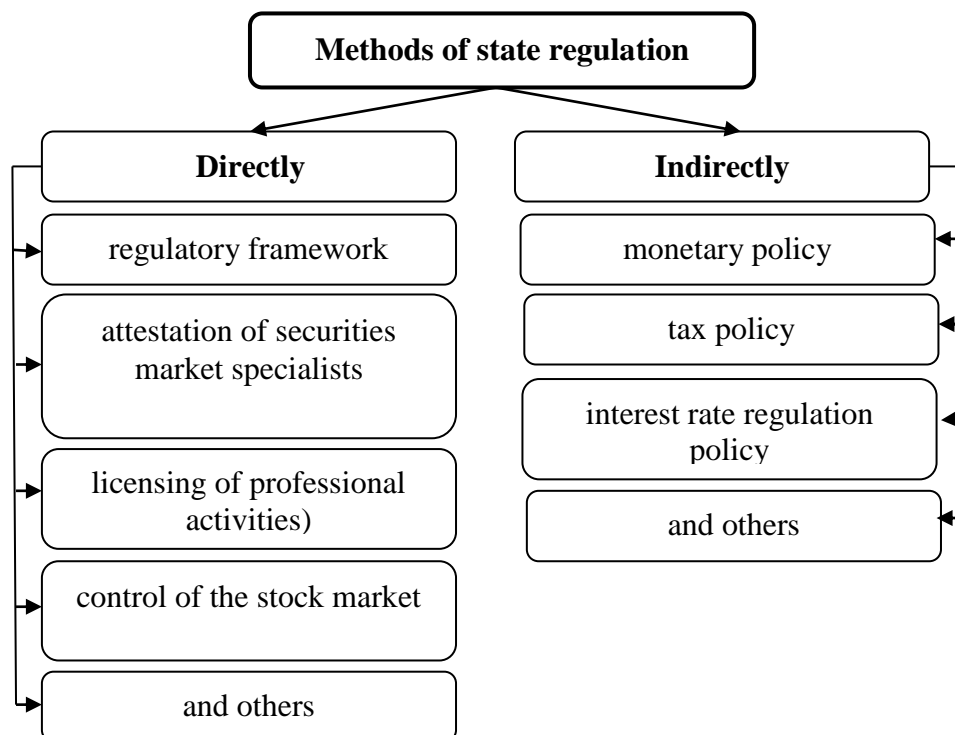
Studies show that “mass fraud and fraud have had a significant impact on the formation of U.S. securities market legislation” [10]. Government regulation, on the other hand, has been shaped by the U.S. Congress as a measure of influence against stock market participants. In Uzbekistan, these processes have been formed at the initiative of the government, taking into account the experience of other countries and the recommendations of reputable international organizations. At the same time, there is a mechanical "measurement" and implementation of norms and rules specific to large economic potential (in countries such as the United States, Germany) with advanced financial and credit mechanisms and market institutions.

Such implementation, regardless of the financial condition of all participants in the stock market, the capabilities of the financial and credit

system, information supply and other conditions, makes most of the legislation useless and ineffective or, as noted above, hinders the development of market relations in this area.

One of the key elements of state regulation of the stock market is the control over the implementation of the legislation on the stock market by its participants. It is necessary to systematically systematize the control elements to generalize the experience of regulatory authorities and the activities of securities market participants. Based on the above, in our opinion, the system of state regulation of the stock market can be divided into indirect (direct) and indirect methods (Figure 2).

Figure 2. Methods of state regulation of the stock market





One of the important conditions for the rapid and successful development of the stock market is the existence of a conceptual document - a concept that is universally accepted by all authorities and management of the country, the participants of the securities market. Unfortunately, such a document still does not exist in the republic.

Conceptual rules of state regulation of the stock market have been developed, which include the principles of public policy in the stock market, macroeconomic tasks in relation to the stock market, issues of state management of the stock market, responsibility for various segments of the stock market, state goals in the stock market. issues of base formation, etc. In particular, the concept should reflect a number of principles of public policy on the securities market. These include:

- the principle of a differential approach to the use of advanced foreign experience in the regulation of the securities market, the recommendations of international organizations, as well as the selection and application of relevant regulations of developed countries to the national market;

- the principle of taking into account the national mentality, the level of development and financial capabilities of participants in the securities market of the country, the characteristics of the transition period in the development of economic norms of regulation of the securities market;

- the principle of adoption of legislative norms and conditions aimed at stimulating the interest of issuers, investors, professional participants of the stock market in transactions with securities, the development of the stock market.

CONCLUSION

In our opinion, it is expedient for Uzbekistan to rely more on local empirical experience in the development of national legislation and the system of stock market regulation in countries that are closer to our country in terms of historical, economic, geographical and other conditions. At the same time, effective regulation and management of the stock market by the state, increasing its role in the economy, in turn, requires an analysis of the state and development trends of the stock market in the context of macroeconomic policy of the state.

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