

**THE CURRENT STATE OF THE CAPITAL MARKET IN THE REGIONS AND
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Abstract:The current state of the capital market in the regions and problems in its development are given in the scientific article.

Keywords:capital market, state of the capital market, financial resources, investors, economic growth, yield curve, government securities.

Based on the state of the capital market and the level of provision of financial resources, it is sufficient to make decisions on the attraction of financial resources by joint-stock companies. Based on the average interest rates of the resources directed to the corporate sector, determining the limit amount of debt funds of joint-stock companies, the significance of the determined characteristics can be differentiated depending on the nature of the development of the national economy. The amount of resources attracted to the capital market, the practice of attraction and attracting financial levers, are inextricably linked with the components of the capital market and their specific characteristics.

It should be noted that "in order to ensure the implementation of the capital market development program in 2021-2023, the development of the capital market infrastructure, the development of the state securities market, and the improvement of financial literacy and the skills of capital market participants" are defined. In this, further development of international economic cooperation, including expansion of relations with leading international and foreign financial institutions, implementation of carefully planned foreign debt policy, issues of effective use of attracted foreign investments and loans, improvement of the investment environment, activities in the field of active attraction of foreign investments and the importance of the development of these areas are specifically considered.

The capital market has already become an important component of the world economy. There is an inextricable connection between the level of development of the world economy and the capital market. Currently, the importance of finance in the socio-economic and political life of the society has moved far beyond the scope of indicators describing the role of the financial sector in creating the world gross domestic product. Financial capital turns into real capital as a result of the circular economic cycle. Money and securities (financial assets) are in circulation in the form of fixed assets and tangible assets. The effective functioning of the financial system, all its sectors and segments - household, corporate and state finance, finance and the system of

currency-credit relations depends in many ways on the dynamics and activity of the development of the global economy as well as the investment processes at the national and international levels.

In Uzbekistan, there is a need to further develop the capital market, improve its infrastructure, encourage the attraction of investors to the capital market, simplify the procedure for foreign investors to participate in the local stock market, and protect the rights of investors.

Significant economic growth has been observed in the Republic of Uzbekistan in recent years under the leadership of President Shavkat Mirziyoyev. The country has implemented major reforms on the way to transition to a market economy, and prioritized economic liberalization, industrialization, and economic diversification. Key initiatives also include currency reforms, infrastructure modernization, and efforts to attract foreign investment.

By 2025, Uzbekistan aims to strengthen its position as a regional economic leader through sustainable development, digital transformation and deep integration into global markets.

Introduction of the government securities yield curve in Uzbekistan From September 1, 2024, the Central Bank of the Republic of Uzbekistan has started publishing the government securities yield curve. As a fiscal agent for the DQQ issued by the Ministry of Economy and Finance, the Central Bank plays an important role in ensuring transparency and efficiency in the domestic bond market. The introduction of the yield curve was a significant step forward in expanding market opportunities and providing investors with the necessary tools to analyze DQQ.

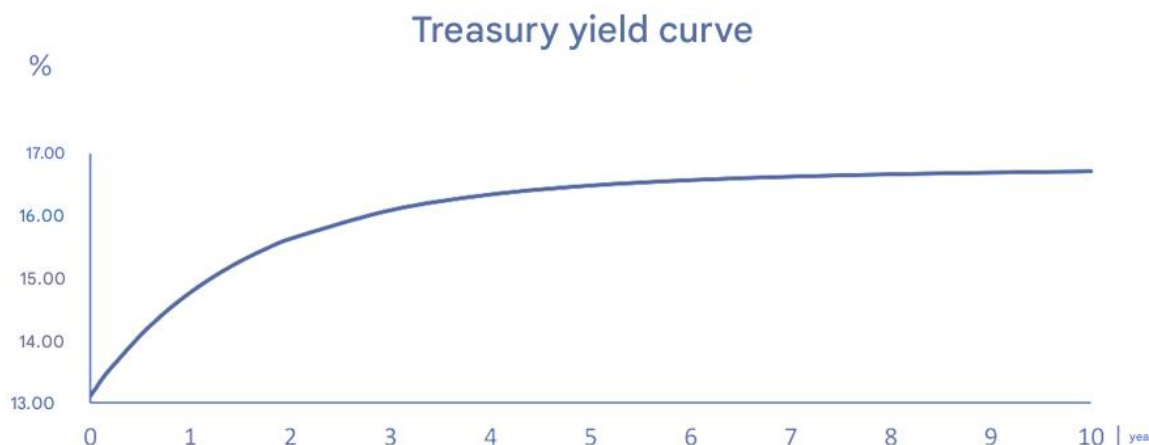


Figure 1. Yield curve.

Development of the Government Securities Market in Uzbekistan Since 2019, the Ministry of Finance of the Republic of Uzbekistan (hereinafter referred to as the Ministry of Economy and Finance - IVM) has been actively issuing government treasury securities denominated in the national currency - soum. This initiative reflects the government's strategy for a gradual transition of the government's public debt portfolio from external to domestic debt. This approach, along with the development of the capital market, also aims to protect against external risks.

As of December 1, 2024, the total outstanding volume of government securities issued by the IVM amounted to 38.9 trillion soums. In addition, the Ministry plans to provide government

securities to retail investors in order to expand the market. This initiative is aimed primarily at attracting foreign investors and the local population and is supported by Presidential Decree No. 291. This decree provides tax incentives for individuals. According to it, citizens can direct up to 105 million soums of their annual income to purchase local securities, and in this process, no tax obligations will arise.

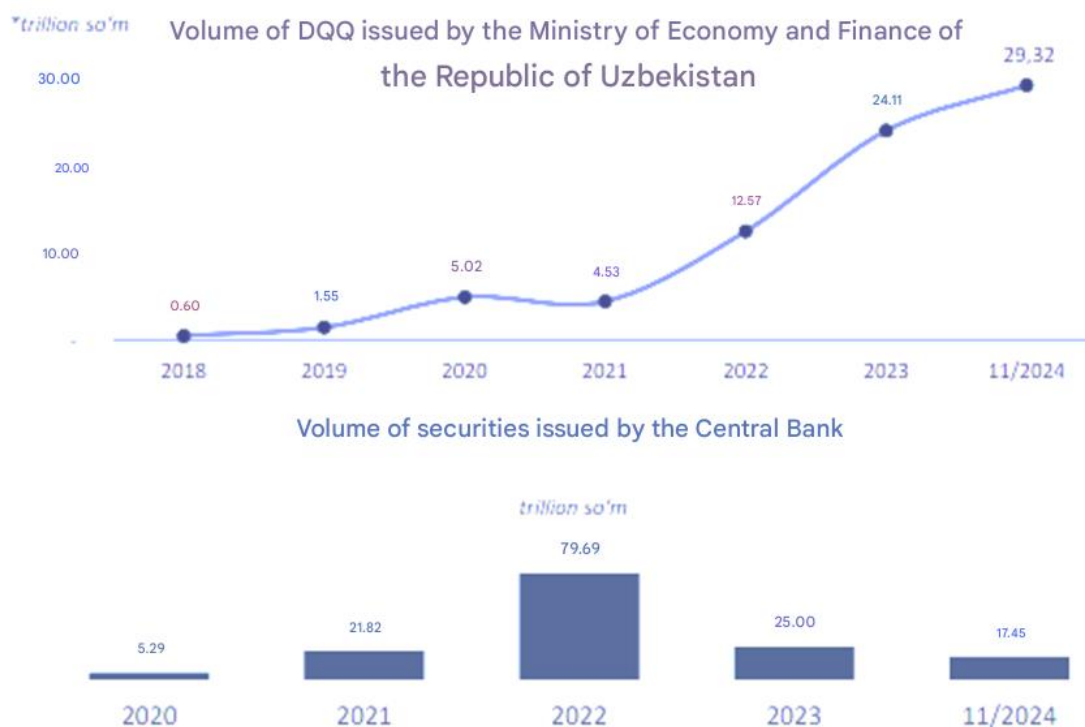


Figure 2. Government securities of Uzbekistan in international financial markets.

Since 2019, Uzbekistan has demonstrated its growing presence in international financial markets, successfully issuing 11 tranches of Eurobonds in six issuances. These issuances raised a total of \$3.45 billion, €600 million, and 11.75 trillion soums in foreign debt. The Public Debt Department (PDD), established within the Ministry of Economy and Finance in 2018, played a key role in the implementation of these transactions. The bonds were placed on the London Stock Exchange and issued in accordance with the “RegS / Rule 144A” standards, which allowed global investors to participate in the purchase of Uzbekistan’s sovereign debt securities.

News on the securities market, foreign exchange market, and derivative securities market, which are its separate segments, changes in political or economic conditions in the world or in a particular country, and force majeure (catastrophes, accidents, weather-related events) also play a role in regulating the capital market, and this is reflected in the prices of financial instruments.



Figure 3. Dynamics of secondary trading profitability.

In turn, these aspects directly affect the financial situation of market participants, investors, issuers. Such a sharp reaction in prices, in addition to the above, is the basis for illegal actions, various forms of financial fraud.

The situation in the capital market depends not only on individual companies and investors, but also on the situation in the economy as a whole, countries, regions, and the world as a whole. The issue of protecting financial markets from illegal actions and fraud is ultimately important for the world community. That is why in all countries with developed capital markets, a regulatory system has been formed, which includes, first of all, state regulation. One of the most stringent systems of capital market regulation is used in the USA. In the country, all aspects of capital market activity are regulated in detail on the basis of legislation and strict control over its implementation is established.

Despite the fact that a number of measures have been implemented to develop the capital market in recent years, it can be seen that many problems still remain in the sector.

This, in turn, determines the need to implement a number of measures aimed at improving the economic growth of the country, including the effective issuance and sale of securities, attracting investment in the sector, increasing the financial literacy of the population and developing corporate governance in the development of the capital market infrastructure. The basis for implementing these directions is the task of improving the legislation regulating the capital market.

Today, the capital market is regulated by the laws “On the Securities Market”, “On Joint-Stock Companies and Protection of Shareholders' Rights”, “On Investment and Mutual Funds”, “On Currency Regulation”, “On Stock Exchanges and Exchange Activities” and more than 80

other by-laws. This, in turn, means that the industry is regulated by too many and scattered regulatory documents.

At the same time, there are a number of gaps and shortcomings in the current legislation that hinder the sustainable development of the sector, including the following:

the lack of a unified state policy for the development and regulation of the capital market at the legal level;

the current legislation does not reflect all types of securities in international experience, the issue and circulation of some of them (government securities, international bonds) is regulated by secondary legislation;

the procedure for monitoring the activities of market participants and protecting the rights of shareholders and investors is insufficient;

– the narrow scope of activities of the authorized state body regulating the capital market, and its regulation by the decrees of the President and the government does not comply with international standards and norms for the independent functioning of this body;

the complexity of the licensing system for the activities of professional participants in the capital market (investment brokers, investment advisors, trustees), and the narrow scope of powers, which does not correspond to world experience;

The procedure for holding general meetings of shareholders and meetings of the company's supervisory board is not digitized;

The single database (register) of information about depositors and shareholders is not integrated with the personalization system, that is, there is no possibility to view their asset status online;

The system for implementing privatization and primary and secondary public offerings (IPO/SPO) is outdated and does not meet international standards, which is why only 4 IPO/SPOs have been held in the republic over the past 5 years;

The unattractiveness of the stock exchange's quotation list categories and the lack of regulation of transactions carried out in over-the-counter trading, as well as other similar shortcomings, seriously hinder the effective development of the market.

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