ACADEMIA ONE
PEER REVIEWED JOURNALS
Open Herald: Periodical of Methodical Research
Volume 1, Issue 4, July, 2023
ISSN (E): 2810-6385
Website: https://academiaone.org/index.php/6

The main directions of assessment and provision of financial security of the stock market

Jo'rayev Og'abek Oybek o'gli
The student of TSUE

Abstract: A security is a tradable financial asset. The term commonly refers to any form of financial instrument, but its legal definition varies by jurisdiction. In some countries and languages, people commonly use the term "security" to refer to any form of financial instrument, even though the underlying legal and regulatory regime may not have such a broad definition.

Key words: financial asset, financial security, stock market, debt securities, hybrid securities, trading center.

In some jurisdictions the term specifically excludes financial instruments other than equities and fixed income instruments. In some jurisdictions it includes some instruments that are close to equities and fixed income, e.g., equity warrants.

Securities may be represented by a certificate or, more typically, they may be "non-certified", that is in electronic (dematerialized) or "book entry only" form. Certificates may be bearer, meaning they entitle the holder to rights under the security merely by holding the security, or registered, meaning they entitle the holder to rights only if they appear on a security register maintained by the issuer or an intermediary. They include shares of corporate stock or mutual funds, bonds issued by corporations or governmental agencies, stock options or other options, limited partnership units, and various other formal investment instruments that are negotiable and fungible.

Securities are traditionally divided into debt securities and equities.

Debt

Debt securities may be called debentures, bonds, deposits, notes or commercial paper depending on their maturity, collateral and other characteristics. The holder of a debt security is typically entitled to the payment of principal and interest, together with other contractual rights under the terms of the issue, such as the right to receive certain information. Debt securities are generally issued for a fixed term and redeemable by the issuer at the end of that term. Debt securities may be protected by collateral or may be unsecured, and, if they are unsecured, may be contractually "senior" to other unsecured debt meaning their holders would have a priority in a bankruptcy of the issuer. Debt that is not senior is "subordinated".

Corporate bonds represent the debt of commercial or industrial entities. Debentures have a long maturity, typically at least ten years, whereas notes have a shorter maturity. Commercial paper is a simple form of debt security that essentially represents a post-dated check with a maturity of no more than 270 days.

Money market instruments are short term debt instruments that may have characteristics of deposit accounts, such as certificates of deposit, Accelerated Return Notes (ARN), and certain bills of exchange. They are highly liquid and are sometimes referred to as "near cash". Commercial paper is also often highly liquid.

Volume 1, Issue 4, July, 2023
ISSN (E): 2810-6385
Website: https://academiaone.org/index.php/6

Euro debt securities are securities issued internationally outside their domestic market in a denomination different from that of the issuer's domicile. They include eurobonds and euronotes. Eurobonds are characteristically underwritten, and not secured, and interest is paid gross. A euronote may take the form of euro-commercial paper (ECP) or euro-certificates of deposit.

Government bonds are medium or long term debt securities issued by sovereign governments or their agencies. Typically they carry a lower interest rate than corporate bonds, and serve as a source of finance for governments. U.S. federal government bonds are called treasuries. Because of their liquidity and perceived low risk, treasuries are used to manage the money supply in the open market operations of non-US central banks.

Sub-sovereign government bonds, known in the U.S. as municipal bonds, representing the debt of state, provincial, territorial, municipal or other governmental units other than sovereign governments.

Supranational bonds represent the debt of international organizations such as the World Bank[citation needed], the International Monetary Fund[citation needed], regional multilateral development banks[vague] and others.

Equity

An equity security is a share of equity interest in an entity such as the capital stock of a company, trust or partnership. The most common form of equity interest is common stock, although preferred equity is also a form of capital stock. The holder of an equity is a shareholder, owning a share, or fractional part of the issuer. Unlike debt securities, which typically require regular payments (interest) to the holder, equity securities are not entitled to any payment. In bankruptcy, they share only in the residual interest of the issuer after all obligations have been paid out to creditors. However, equity generally entitles the holder to a pro rata portion of control of the company, meaning that a holder of a majority of the equity is usually entitled to control the issuer. Equity also enjoys the right to profits and capital gain, whereas holders of debt securities receive only interest and repayment of principal regardless of how well the issuer performs financially. Furthermore, debt securities do not have voting rights outside of bankruptcy. In other words, equity holders are entitled to the "upside" of the business and to control the business.

Hybrid

Hybrid securities combine some of the characteristics of both debt and equity securities.

Preference shares form an intermediate class of security between equities and debt. If the issuer is liquidated, preference shareholders have the right to receive interest or a return of capital prior to ordinary shareholders. However, from a legal perspective, preference shares are capital stocks and therefore may entitle the holders to some degree of control depending on whether they carry voting rights.

Convertibles are bonds or preferred stocks that can be converted, at the election of the holder of the convertibles, into ordinary shares of the issuing company. The convertibility, however, may be forced if the convertible is a callable bond, and the issuer calls the bond. The bondholder has about 1 month to convert it, or the company will call the bond by giving the holder the call price, which may be less than the value of the converted stock. This is referred to as a forced conversion.

Equity warrants are options issued by the company that allow the holder of the warrant to purchase a specific number of shares a specified price within a specified time. They are often issued together with bonds or existing equities, and are, sometimes, detachable from them and separately tradable.

ISSN (E): 2810-6385
Website: https://academiaone.org/index.php/6

When the holder of the warrant exercises it, he pays the money directly to the company, and the company issues new shares to the holder.

Warrants, like other convertible securities, increase the number of shares outstanding, and are always accounted for in financial reports as fully diluted earnings per share, which assumes that all warrants and convertibles will be exercised.

The stock market, securities market is a branch of the financial market that deals with the issuance of securities and their trading. The main task of the stock market is to collect and distribute investments, i.e. necessary investment funds for expanded reproduction and technical development; change ownership using packages of securities; redistribution of the market by means of securities trading; financing of public debt by issuing securities, etc.

Stock market participants are capital "consumers" (issuers) and its "providers" (investors). "Consumers" are the state, local authorities, large national and international companies. Investors are divided into institutional (various financial credit institutions dealing with securities: commercial and investment banks, insurance companies, pension funds, etc.) and individual (private individuals, including owners of small venture businesses).

Stock market operations are carried out by its professional staff: brokers (intermediaries participating in the transaction with their own capital), managers (persons who manage entrusted securities), clearing houses (organizations engaged in determining mutual obligations), depositories (provides securities storage services); registrars (registration of securities); trade organizers (performs the service of helping to conclude transactions with securities); is carried out through jobbers (stock market conjuncture experts). Along with them, the stock market is served by bank employees, investment fund employees, as well as civil servants and lawyers who provide the legislation and control necessary for the financial market. The infrastructure of the stock market is made up of the stock exchange, institutions receiving the list (registry), and the system of depositories.

The stock market is divided into primary and secondary markets depending on the time and method of arrival of securities. The primary market is the basis of the stock market. Securities issued for the first time will be placed there. The main participants of the primary market are securities issuers and investors. Issuers who need fixed and working capital reserves for investment determine the supply of securities in the Stock Market. Investors looking for a profitable area to use their capital form the demand for securities. In the primary market, temporary free funds are attracted. But the primary market is not limited to the expansion of savings only on the scale of the national economy. It also includes the distribution of free funds by sectors and sectors of the economy. In the conditions of the market economy, the income provided by securities serves as a criterion for distribution. This situation means that free money will be directed to enterprises, farms, networks and industries that provide the most income. The primary market involves placement of newly issued securities by issuers. At the same time, corporations, authorities, and local self-governing bodies can be issuers. The importance of such groups of issuers in the market is determined by the state of the country's economy and its general level of development. The permanent deficit in the state budget of most countries ensures that the state plays an important role in the stock market. Individual and institutional investors can also be buyers of securities. These are commercial banks, pension funds, insurance companies, investment funds, mutual funds, etc.

The secondary stock market is a necessary supplement to the primary market. In it, the circulation of securities takes place in the form of an exchange. Depending on the form of securities transactions, they can be divided into organized (exchange-traded) and unorganized (over-the-counter or "street") markets. The organized market is organized by stock exchanges. All other securities transactions are done in the unorganized market. Over-the-counter trading is carried out by specialists - brokers and dealer companies. Due to the lack of a single trading center in OTC trading, trades are carried out over telephone and computer networks. Prices are determined by agreement on the basis of the rules governing over-the-counter trading.

The stock market is an object of state management as a component of the financial and credit system. Its main purpose is to protect the interests of investors from illegal actions by issuers and intermediaries. For these purposes, relevant normative documents regulating the issuance of securities, their circulation, and the activities of professional participants of the securities market, as well as those in force in the country, will be developed, and special administrative agencies will be established.

The formation of the stock market, which is an effective tool for managing investment processes and attracting idle funds to the economy, dates back to the early 90s. On September 2, 1993, the Law of the Republic of Uzbekistan "On Securities and Stock Exchange" was adopted, which is the legal basis of this market activity.

In a short period of time, the main institutions of the infrastructure of the stock market - in 1994, the republican stock exchange "Tashkent" began its activity. According to the Decree of the President of the Republic of March 26, 1996 "On the Establishment of the Center for Coordination and Control of the Activities of the Securities Market under the State Property Committee of the Republic of Uzbekistan", the Center for Coordination and Control of the Activities of the Securities Market, which is the authorized state body that regulates the securities market in the republic was built. In 1999, a two-tier system of depositories was established, which includes the Central Depository of Securities and more than 30 second-level depositories, which keep accounts of the state contribution (right) in the shares of privatized enterprises. More than 300 professional participants, consisting of brokers, dealers, management companies, investment funds, investment consultants, registrars and investment companies, operate in the Republic Stock Market (2004). Among them, the clearing house "Elsis Clearing" (1998) helps to effectively carry out mutual settlements between the participants of the primary (organized) stock market in the republic. The National Depository "Vakt" (1994) is a major institution of the stock market, which keeps records of securities and rights to them. "Davinkom" ("State Investment Company", 1999) is an authorized representative of the State Property Committee of the Republic of Uzbekistan for the sale of shares of privatized enterprises to investors. In 2000, the national association of investment institutions was established in the republic. It has more than 45 investment institutions (2004).

References:

1. MY Tirkashev, «THE ROLE OF SMALL SCALE BUSINESS IN THE DEVELOPMENT OF MARKET ECONOMY», МОЯ ПРОФЕССИОНАЛЬНАЯ КАРЬЕРА Учредители: Общество с ограниченной ответственностью" Моя профессиональная карьера", 34, 2022, 97-102 с.;
2. M Yu Tirkashev, NB Eshtemirov, «FACTORS OF EFFECTIVE USE OF MECHANISMS TO IMPROVE FINANCIAL CONTROL», 2022, Вестник магистратуры, 3-2 (126), 111-112 с.;

3. Djurakulovich Ziyadullaev Makhmudjon. (2022). YESTERDAY'S, TODAY'S AND FUTURE PENSION REFORMS IN UZBEKISTAN. Conference Zone, 119–121. Retrieved from http://www.conferencezone.org/index.php/cz/article/view/362;
4. Махмуджон Зиядуллаев (2021). Право на социальное обеспечение в Узбекистане и радикальные реформы, проведенные в пенсионном секторе в 2017-2021 годах. Общество и инновации, 2 (8/S), 121-127. doi: 10.47689/2181-1415-vol2-iss8/S-pp121-127
5. Зиядуллаев, М. (2022). Роль социального обеспечения в стратегии развития Нового Узбекистана . Общество и инновации, 3(4/S), 120–125. https://doi.org/10.47689/2181-1415-vol3-iss4/S-pp120-125 ;
6. Зиядуллаев, М. (2021). Сильная социальная защита - требование времени. Общество и инновации, 2(5), 64–68. https://doi.org/10.47689/2181-1415-vol2-iss5-pp64-68 ;
7. Зиядуллаев, М. (2021). Право на социальное обеспечение в Узбекистане и радикальные реформы, проведенные в пенсионном секторе в 2017-2021 годах. Общество и инновации, 2(8/S), 121–127. https://doi.org/10.47689/2181-1415-vol2-iss8/S-pp121-127