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## IMPROVEMENT OF INVESTMENT ACTIVITY OF COMMERCIAL BANKS IN THE SECURITIES MARKET

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## УЛУЧШЕНИЕ ИНВЕСТИЦИОННОЙ ДЕЯТЕЛЬНОСТИ КОММЕРЧЕСКИХ БАНКОВ НА РЫНКЕ ЦЕННЫХ БУМАГ

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In recent years, our government attaches great importance to strengthening the participation of commercial banks in the domestic securities market, increasing their level of capitalization and sustainability. Governmental resolutions on increasing the assets and total capital of the country in order to further increase capitalization and sustainability of commercial banks of our country serve to activate the participation of banks in the securities market. Particularly, the laws and statutory acts issued by the public administration bodies lead to the further improvement of operations related to securities. Amendments to the Regulations on the Stock Exchange Account Register, Amendments and Addenda to the Regulations on the Issue and Treatment of Short-term Government Bonds, and Amendments and Additions to the Instruction on Redemption of Documentary Securities. Securities play a major role in the state's payment turnover, as they are often used to invest in priority sectors of the economy. Also, operations with securities in the financial market are one of the key income generating operations. In this regard, in the Decree of the President of the Republic of Uzbekistan of February 7, 2017, NP 4947 on Strategy for further development of the Republic of Uzbekistan, as one of the priorities of economic development and liberalization, as an alternative source of attracting capital and allocating free funds of enterprises, financial institutions and the population medium-term and long-term development of the financial market of the Republic of Uzbekistan aimed at developing the financial market the task of developing a concept [3]. In particular, this concept is designed to allow issuing securities (bonds, promissory notes, etc.) to sound financial institutions (banks, insurance companies, large state companies, joint-stock companies) and

simplify the procedure of state registration of initial and additional emission of securities issues. It should be noted that the Decree of the President of the Republic of Uzbekistan from September 2, 2017 "On priority measures on liberalization of the monetary policy" is one of the priorities of the state economic policy aimed at ensuring the stability of the national currency in the liberalization of the foreign exchange market. It is a strict monetary policy that requires active and flexible use of its instruments, the development of the securities market, as well as the practice of conducting operations in the open market and the liquidity of banks by pledging government securities. Investments play a crucial role in the development of the economy, as well as for its diverse industries. It is no exaggeration to say that nowadays, the major financial institutions - banks that accumulate huge amounts of financial resources and can direct them to the priority sectors of the economy. It is very convenient for banks to carry out these activities through securities. The growing attention of commercial banks to the formation of the securities market is closely linked to the growing demand for the national economy's investment, without which it can not thoroughly restructure social production, increase export potential and increase the living standards of the population.

It is also worth noting that the largest share in the stock market was saved by banks every two years. The share of banks in the stock exchange turnover in 2016 made up 50.6% and in 2017 it made 86.3%. This testifies to the fact that our banks have a strong position in the securities market. The share of the remaining sectors is very low and has a tendency to decline from year to year. Only in agro-industrial complex will be 5.3 percent in 2016 and 9.2 percent in 2017. The development and liberalization of the economy, the

implementation of large-scale reforms, the radical transformation of all sectors of the society, have identified new tasks that need to be implemented in the country's banking system to carry out investment activities on the securities market. Likewise, the investment activity of commercial banks in the securities market has revealed the prospects for banks to expand their capacities and to gain stable profit and ensure liquidity of the bank. Investing operations of commercial banks are broadly understood as the transfer of cash and other reserves of the bank into securities, charter funds, real estate, precious stones and other objects. In addition, it is possible to understand that investments are made in the form of interest and dividends in the form of income generating market. Investment portfolio of commercial banks (securities

portfolio) is the investment in securities, which are managed as a whole, and combines different types and types of securities. During the formation of the securities portfolio, the investor is focused on securities that are secured with high security, high liquidity and profitability. The Bank's investment portfolio benefits profits in the form of market price increases or interest income. The larger the investment portfolio, the greater the cost. It is noteworthy that commercial banks, which usually participate in the stock market, play a crucial role in the development of the real sector of the national economy. Nevertheless, in the analyzed period, a considerable decrease in the total volume of investment was observed by commercial banks participating in the stock market.

Table 1

**Dynamics of securities deposits in the structure of bank assets**

Active content	2016 y 4-sq.		2017 y 4-sq.	
	billion in soums	as% of total	billion in soums	as% of total
Equity investments	973,3	1.54%	926.6	0.8%
Securities trading	46.3	0.07%	79.6	0.07%
Purchase and sale of precious metals	0.0	0.0%	0.1%	0.0%
bank deposits in securities - total	1019.6	1.61%	1006.3	0.87%
total activities	63402.5	100%	115158.5	100%

The table above shows that by the end of Quarter IV of 2017, the volume of gross volume of investment investments in commercial banks in the stock market decreased in comparison with the same period of last year by 0.74% and amounted to 1,006 trillion soums. soums. At the same time, the structure of investment investments of commercial banks participating in the stock market has not changed sharply. Securities are a low cost tool for commercial banks to provide additional capital. They attract cash from circulation of securities for charter capital. It generates additional revenue from investment and other intermediary activities. In addition, commercial banks expand and accelerate the flow of money through securities, and attract large amounts of money from non-bank savings. As a result, it finances the sectors of economy that are in need. In 2017, the share of commercial banks in the total turnover of the Republican Stock Exchange "Toshkent" was 86.3 percent or 257.6 billion soums. soum [2]. This indicates that transactions with securities in the Republic of Uzbekistan remain within a certain layer. That is, only a few organizations are involved. This leads to an increase in the share of banks in exchange trades. Although the share of commercial banks in the securities market is much higher than in other sectors, the share of transactions with securities in the active part of the balance sheet is very small, and, accordingly, its income from securities transactions is also remarkable. However, in the experience of foreign banks, the share of operations with securities in the structure of active operations of banks is second only to credit operations. Banks play an important role in the functioning and formation of the securities market in Uzbekistan. Compared to other business entities, banks have extensive conditions for the functioning of the securities market. The main reasons for this can be summarized as follows: - Firstly, highly qualified

personnel are usually collected in banks; - secondly, regulates the activities of banks in the form of legislation, in the form of joint-stock companies, ie, the activities of issuers, which issue securities, including issuance of shares; - Thirdly, in comparison with ordinary enterprises and organizations, banks have the opportunity to attract substantial private and borrowed resources, which create the necessary conditions for participation in the stock market as a major investor. Finally, the laws of the Republic of Uzbekistan do not limit the activities of banks on the securities market, and at the same time, banks have the opportunity to obtain extensive information about their clients' financial activities, which gives them an opportunity to ordinary investors who are limited in receiving such information. There are no restrictions on the commercial and investment activity of banks in Uzbekistan, so commercial banks carry out functions specific to the professional participants of the stock market. Under the law, commercial banks, which have a license to carry out banking activity, can carry out professional activities in the securities market as an investment intermediary, a trust manager of investment assets, an investment consultant, a transfer-agent and a depository. At the same time, no separate license is required for the type of activity provided by commercial banks. In connection with the development of the corporate bonds market, some of Uzbekistan's private banks have been actively engaged in the primary placement of these securities as intermediaries in the issuance and placement of bonds. In the nearest future, in our opinion, the banks of the Republic of Uzbekistan will need to invest in investment and financial advice, asset management, depository services, business services, and development of transfer-agent services. At the same time, some commercial banks lacked investment transactions with

securities and improved their investment activity, as well as the low level of securities portfolio diversification and the high level of risk in the investment portfolios.

The issue of further expansion of the investment activity of the republican banks in the stock market of Uzbekistan will depend on the effectiveness of investment strategies adopted in them. The quality of investment strategies of commercial banks, as well as the use of certain methods and technological capacities for various assets, allows them to save previously invested resources and reach the highest level of profitability. In other words, the portfolio management process should be focused on maintaining the key investment characteristics of the portfolio and its characteristics that are in line with the interests of the portfolio holder. In the process of implementation of the portfolio investment strategy, the employees of investment divisions of joint-stock companies should have an investment portfolio in line with the selected investment strategy. At the same time, the active portfolio investment strategy should be aimed at maximizing the capabilities of the securities market, and the passive strategy should be aimed at ensuring a balanced approach to the formation of the portfolio by minimizing the risks of joint stock companies. In the process of portfolio investment, commercial banks of Uzbekistan should be able to apply both active and passive methods of portfolio management. In order to develop investment activity of banks, we consider it necessary to ensure: - Implementation of effective mechanisms for the establishment and management of the investment portfolio of banks; - taking measures to increase the role and importance of banks in the development of the corporate securities market; - Reducing the investment risk through diversification of portfolios in banks, in the world practice, investors have a share of enterprises belonging to different sectors of the economy, reducing investment risk. The difficult part of diversification of Uzbekistan's deposits is that in general, the stock market is nickel-valued, that is, the lack of mass demand and offer on shares. Most of the equity capital is in the 70-80% controlling packages, at the disposal of strategic investors; - The liquidity and privileges of

the stock market should be introduced in the tax mechanism for transactions with securities by banks; - Increasing the number of financial instruments sold at the stock exchange, ie introduction of financial futures, options, depository notes and mortgage bonds. This leads to the activation of banks in the securities market and the increase in stock market turnover; - It is necessary to develop a mechanism to ensure the sale of commercial banks in the international stock exchanges.

Timely implementation of the above mentioned measures will help to increase the competitiveness of the banks of the country, which will enable not only to increase investment activity in the national stock market, but also to become an active participant in the international capital market, which will further improve the investment climate in Uzbekistan.

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## DIGITAL ECONOMY: PROBLEMS AND SOLUTIONS

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## ЦИФРОВАЯ ЭКОНОМИКА: ПРОБЛЕМЫ И РЕШЕНИЯ

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### ANNOTATION

The article analyzes the development and infrastructure of digital economies in several developed countries and draws on a number of issues related to the development of digital economy in our country and their potential