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# Issues of improving the practice of regulating the financial market

*Boyev Bekzodjon Jorakul o'gli* [1]

**Abstract**

The article discusses in detail the essence, important aspects of regulation of the country's financial market, methods of regulation, and developed scientific proposals for improving the regulation of the financial market.

**Keywords**: Financial market, capital market, stock market, listing, macroregulator, concept, international stock market, market infrastructure.

[1]Independent researcher of the Tashkent Financial Institute

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## I. Introduction

We know that the financial market plays a key role in ensuring economic growth and financial stability in the country. For financial markets to function effectively, it is important to constantly regulate them. In recent years, significant reforms have been carried out to develop the financial market and regulate its activities. It is no secret that the success of these reforms is largely due to the attraction of foreign investment in all sectors of our economy, the introduction of the best world practices and transparency.

Modern theories of financial market regulation were created by self-governing organizations and formed as a result of competition in order to attract issuers and investors at the international level [1]. From the first days of the formation of financial markets, these goals remained practically unchanged and are formally reflected in the documents of international organizations (primarily in the "Goals and Principles of Financial Markets Regulation" (IOSCO). Thus, the main goals of financial market regulation are: protection of investors and ensuring transparency , fairness and efficiency of financial markets. With the development of financial markets, an increase in the number of professional market participants and market intermediaries, as well as a closer relationship between them, a new goal has been added to these two goals - reducing systemic risks [2].

It is also important to regulate and develop the stock market as an integral part of the financial market. The development of the financial market, especially the stock market, is also important for our country. Therefore, in recent years, extensive reforms have been carried out in this area. As President Sh. Mirziyoyev noted, “the stock market is an important tool for accumulating free money in the economy and directing it to the investment process” [3].

Therefore, today the regulation of the financial market and the study of international experience in this area is an important process for the development of the financial market in our country.

## II. Literature review

Foreign scientists I. Atiyas and H. Ersel conducted a study of financial market regulation, according to which there are forms of state regulation “x-post” and “x-ante”. Companies will be punished for violating competition laws by regulating the financial market ex post facto. Many other regulatory documents are implemented in the form of "x-ante", that is, the rules are developed in advance to avoid violations in the financial market [4]. According to R. Franzioni, J. Fraser and A. Heckmeister, the main goal of financial market regulation is to ensure financial stability. In this regard, one of the important conditions for stability is the infrastructure system operating in the financial markets. He argued that every analysis of financial markets must naturally take into account the rules of the infrastructure of that financial market [5]. According to A.M. Pax and D. Heremans, financial markets cannot function properly mainly due to data inconsistencies. Discrepancies in the data indicate the need for regulation of the financial market,

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and solutions have been proposed, according to which solutions for this can be provided primarily through financial participants or require government intervention. [6]

Uzbek economists have also conducted research on financial market regulation. In particular, according to the team of authors led by S. Elmirzaev, mega-regulators and macro-regulators are widely used as external mechanisms for regulating the financial market. Regulation of the financial market through a mega-regulator is based on the requirements and principles established by international organizations. A macro regulator, on the other hand, provides direct government regulation and is usually the government agency responsible for regulating the securities market. The practice of regulating the financial market through public organizations is also widely used in world practice as an external mechanism [7].

## III. Analysis and results

It also plays an important role in the practice of state regulation of the financial market in a market economy. Although there are differences in the regulation of financial markets in different countries, the practice of government regulation is somewhat common. Therefore, below we will consider the practice of regulating the financial market in international and domestic practice.

In the regulation of the financial market, the state plays a decisive role in all countries, even in countries with highly developed market economies. In this case, the participation of the state in the regulation of the financial market is carried out through legislative activity, regulatory regulation, the use of practices such as licensing, certification, which are direct regulatory mechanisms, and control over the observance of the law.

Compliance with the basic principles of the financial market is ensured through the harmonization of state regulations with the rules developed by exchanges and associations of market participants.

Based on the foregoing, we can say that in the context of economic modernization, the regulation and stability of the financial market in Uzbekistan is reflected in the following:

- Carrying out economic reforms that will regulate and increase the stability of the financial market in order to modernize the economy;
- creation of an effective regulatory mechanism;
- ensuring the compatibility of segments in the financial markets;
- increase the transparency and stability of the derivatives market by improving the infrastructure of the OTC market and reducing the associated systemic risks;
- strengthening the financial system and the mechanism of its regulation.

State bodies regulating the financial market in Uzbekistan include the Ministry of Finance, the Central Bank and the Agency for the Development of the Capital Market of the Republic of Uzbekistan. The State Tax Committee also participates in the taxation of securities transactions in the country and in monitoring the compliance of market rules with current legislation.

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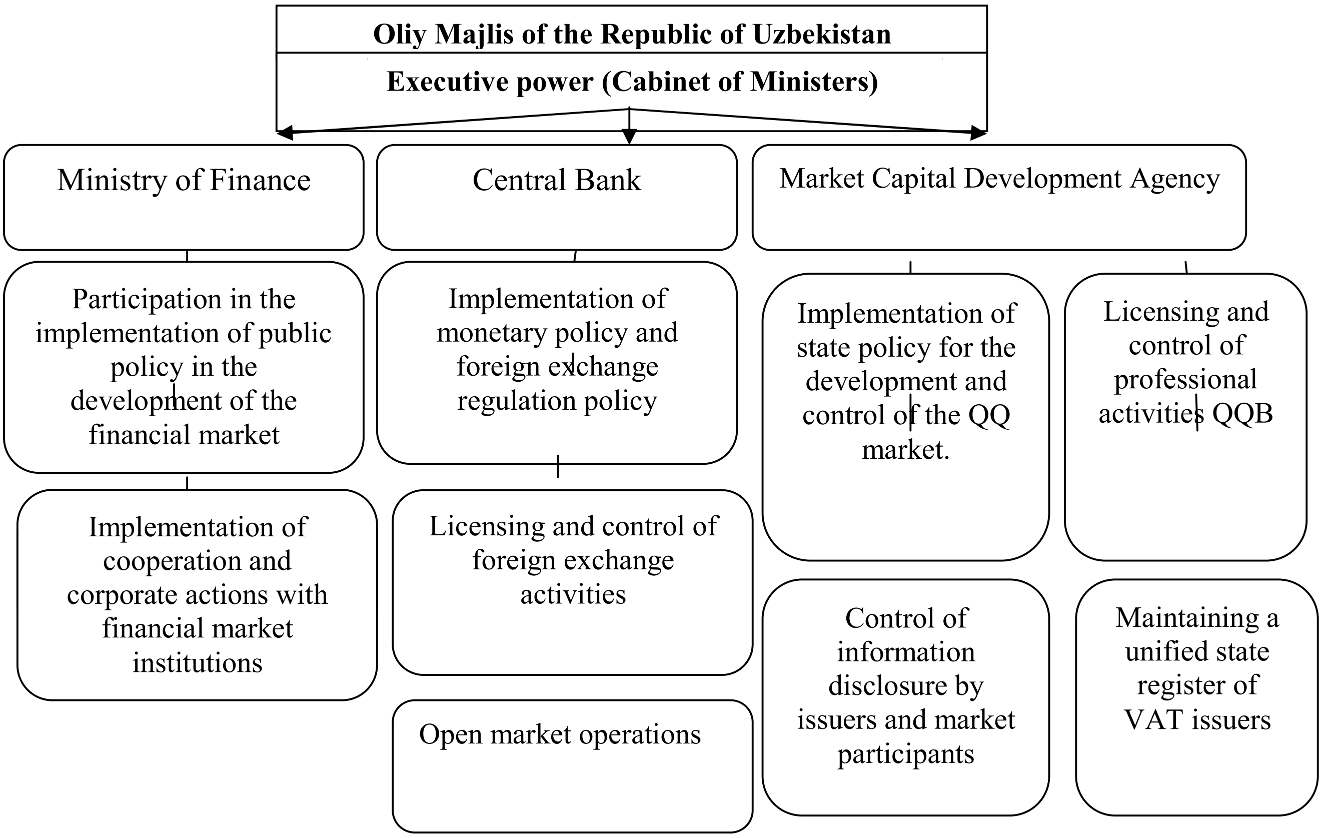


**Figure 1. Financial market regulators [7]**

We consider it expedient to dwell on some of the tasks and powers of these state bodies. The Ministry of Finance is involved in the implementation of state policy in the field of financial market development. The Department of Government Securities Market and Relations with Financial Institutions regulates relations with government securities. The main task of the department is to organize the issue of securities, as well as cooperation with institutions of the financial market and corporate activities.

The Ministry of Finance implements government policy by regulating the financial market by issuing government securities. According to the decision of the Board of the Ministry of Finance of the Republic of Uzbekistan and the Central Bank of the Republic of Uzbekistan dated June 13, 2018 by the Resolution of the Government of the Republic of Kazakhstan No. 1327, state securities were issued.

The process of regulation of the financial market, in particular, regulation of the stock market as its integral part, is also relevant at the international level. In this regard, the practice and experience of regulating the US financial market in the international financial market is useful for most emerging financial markets. It should be noted that the 144A rule is used to regulate the stock market in the United States. Rule 144A provides for an exemption from the registration requirements of Section 5 of the Securities Act in the United States, i.e. deregistration under certain circumstances. You can remove the restriction on the mass sale of unsecured and controlling securities. This will enable them to trade these types of securities.

Under the US Securities Act of 1933, all types of securities issued by a company must be registered with the Securities and Exchange Commission prior to being publicly offered or sold. Rule 144A provides incentives for sellers. This privilege can be used to sell securities to specific buyers. The target customer is not an individual, but a financial institution. According to this rule, financial institutions can engage in the sale of unregistered and controlling securities outside the registration process [8].

This rule increases the liquidity of unregistered and controlling securities as it allows large institutional investors to trade these securities more freely. As a rule, it is imperative to remove restrictions before selling. Rule 144A describes how to remove restrictions. There are some other conditions that must be met to use this privilege.

The internal rules of stock exchanges also play an important role in regulating the stock market in the United States. Listing and delisting requirements are of particular importance. Companies must meet certain or listing requirements before they can start trading on stock exchanges. Different exchanges set their own listing requirements for trading stocks. Initially, a company must meet minimum financial and non-financial requirements to register.

## Conclusions

We consider it expedient to introduce scientific proposals and recommendations for sustainable development and improve the practice of regulating the financial market of Uzbekistan in the following areas:

First, although the legislation developed to regulate the financial market in Uzbekistan to some extent reflects international requirements, we see that their implementation and final results differ significantly. Therefore, in order to adapt international experience to our national financial market, it is necessary to deeply study the expected results and their effectiveness.

Secondly, when creating a conceptual framework for the financial market, it is necessary to take into account the strategy, tactics, results of market regulation and problems. The concept should also reflect the operational management in case of emergencies in the country and the global economy and their expected impact on the national financial market.

Thirdly, it is necessary to ensure openness and transparency of data in the financial market, given that the main goal of financial market regulation is to ensure financial stability.

Fourth, the formation and development of a favorable infrastructure is important for the regulation of the financial market. An important aspect is the convenience of the financial market infrastructure in the implementation of the financial market, increasing its efficiency, as well as attracting participants.

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