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## ANALYSIS OF CORPORATE SECURITIES IN UZBEKISTAN

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**Abstract.** *This article describes the essence, significance and types of corporate securities and operations of corporate securities. It learns the point of views of different researchers on corporate securities. Moreover, the real state of corporate securities operations in Uzbekistan are analyzed. Conclusions and proposals are given on the basis of the researches.*

**Keywords:** *securities, corporate securities, IPO, bond, stock, issuance, common stocks, preferred stocks.*

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### Introduction

In Uzbekistan, corporate structures finance their activities with a limited range of resources, mainly through their own funds, shares, bank loans, leasing. Financial security through the circulation of corporate bonds is extremely narrow. The fact that they have not organized yet the international circulation of shares, the practice of public placement of shares on international stock exchanges, the relatively narrow scope of the circulation of Eurobonds, indicate that there are problems in attracting foreign capital.

### Literature Review

Corporate securities such as stocks and bonds are essential to develop the fund market of Uzbekistan today. The theoretical basis of them has been learnt by different researchers. Today IPO, SPO, issuance of bonds are popular practices related to corporate securities operations. Economists view the IPO as a modern mechanism for financing joint stock companies. Some economists have also pointed out the disadvantages of IPOs. In particular, I.L.Butikov, an economist who has conducted in-depth research on the development of the stock market, mentions that "for many companies, IPO projects are not only about attracting financial resources, but also about increasing the prestige of the company. That, in turn, will help raise more money later" [1].

A.A.Abgaryan notes that the IPO will increase the company's transparency and investment attractiveness for investors. In addition, it will be possible to use a long-term source of financing, increase the liquidity of securities placed on the stock market, and form an alternative source of financing [2].

In addition, the initial public offering of stocks in international stock markets is based on a certain level of competitiveness. IPO provides the company with additional investment and increases the investment attractiveness and international reputation of the company. These allow to achieve effectively business goals, solve social problems and fulfil their obligations to the state. On the other hand, access to international stock markets is itself a factor in the company's further development [3].

Today institutional investors also play an important role in IPO operations in international financial markets. We can see that foreign researchers have done a lot of research in this area. In particular, a group of economists points out that underwriting is one of the most important aspects of institutional investors' participation in IPOs [4].

I. Butikov also defines bond as a security that certifies that the owner has lent and confirms the obligation to repay the nominal value of this security with a fixed (fixed) interest payment within the specified period [5].

According to economist SE Elmirzaev, public offering of shares allows to attract relatively high costs, time-consuming and large amounts of capital [6].

A wide range of investors will have access to relevant information with the help of IPO about the corporation, which will increase the sources of financing for the corporation and reduce the cost of debt capital. In addition to covering the mass issuance and administrative costs of the IPO, it also has the advantage of attracting a large amount of share capital to the corporation. In addition to reducing the state's share through SPO, it will be possible to attract private investors to the joint-stock company [7].

The securities market ensures the efficient functioning of the whole economy. It helps economic entities to attract investors' financial resources, investors to increase their reserves by investing in financial instruments, and the state to implement its economic policy. The financial market and the stock market are the mechanisms by which financial assets are exchanged through the seller and the buyer meeting.

### **Research methodology**

Several methods such as induction, comparison, analysis, and synthesis were used to study and analyse the corporate securities in Uzbekistan.

### Analysis and results

Joint-stock companies, especially, commercial banks are being active in securities market year by year. Because of the fact that securities of banks should be analysed in the following to study the real state of the securities market of Uzbekistan.

**Table 1**

**Indicators of bonds issued by JSCB Uzpromstroy bank<sup>1</sup>**

№	The amount of issuance, (mln.soum)	Book value, (soum)	Registered date	Interest rate	Duration
1	4 000	100 000	29.03.2010	11%	2184 days
2	6 000	100 000	29.03.2010	Refinancing rate of the Central Bank of the Republic of Uzbekistan	3640 days
3	28 000	100 000	29.12.2010	Refinancing rate of the Central Bank of the Republic of Uzbekistan	3640 days
4	10 000	100 000	10.08.2012	Refinancing rate of the Central Bank of the Republic of Uzbekistan - 1	3640 days
5	10 000	1 000 000	11.02.2014	Refinancing rate of the Central Bank of the Republic of Uzbekistan - 1	1820 days
6	50 000	1 000 000	19.11.2019	Refinancing rate of the Central Bank of the Republic of Uzbekistan + 2	1092 days
7	50 000	1 000 000	19.11.2019	Refinancing rate of the Central Bank of the Republic of Uzbekistan + 3	1820 days
8	50 000	1 000 000	19.11.2019	Refinancing rate of the Central Bank of the Republic of Uzbekistan + 4	2548 days

<sup>1</sup> <https://sqb.uz/uz/for-investors/debt-instruments-uz/> - the formal web site of JSCB Uzpromstroybank

If we look at Table 1, several bonds were issued by JSCB Uzpromstroy bank in order to attract capital. The interest rate of these bonds was fixed on the basis of the refinancing rate of the Central Bank of the Republic of Uzbekistan. There are differences among the issues on the duration.

**Table 2**

**Indicators of Eurobonds placed by Uzpromstroybank JSCB<sup>2</sup>**

№	Amount of issuance, (mln. USD)	Book value (thous.USD)	The number of issued bonds	Date	Payment date
1	300	200	1 500	02.12.2019	02.12.2024

Table 2 describes the indicators of Eurobonds of JSCB Uzpromstroy bank which were issued in 2019. Uzpromstroy bank JSCB began financial operations in the international financial markets and placed the Eurobonds on London Stock Exchange for the first time in Uzbekistan. The capital in the amount of 300 mln. USD was attracted for a period of 5 years by placing Eurobonds.

**Table 3**

**Analysis of stocks issued by Uzpromstroybank JSCB<sup>3</sup>**

№	The amount of issuance, (mln.soum)	Book value, (soum)	The number of issued stocks, (thousand)	Including common stocks	Including preferred stocks, (thous.)	Date
1	2 456 358	19	129 755 678	129 755 678	-	30.10.2019
2	417 313	19	21 963 818	21 963 818	-	25.12.2018
3	300 000	19	15 789 474	15 789 474	-	30.10.2018
4	96 723	19	5 090 685	5 090 685	-	22.12.2017
5	629 747	19	33 144 579	33 144 579	-	05.09.2017
6	27 447	19	1 444 556	1 430 556	14 000	02.08.2017
7	697 927	19	36 732 994	36 376 994	356 000	18.07.2017

<sup>2</sup> <https://sqb.uz/uz/for-investors/debt-instruments-uz/> - the formal web site of JSCB Uzpromstroy bank

<sup>3</sup> <https://sqb.uz/uz/for-investors/shares-and-dividends-uz/> - the formal web site of JSCB Uzpromstroy bank

Uzpromstroy bank JSCB issued stocks several times during 2017-2019. It can show that the bank attracted the amount of money by the issuance (Table 3).

After Eurobond issuance of Uzpromstroy bank JSCB, other banks also placed corporate Eurobonds. In particular, it should be noted that by 2020 Ipoteka Bank will place corporate Eurobonds on the London Stock Exchange (Table 4).

**Table 4****Analysis of the first issue of Eurobonds by Ipoteka Bank<sup>4</sup>**

<b>International Securities Identification Number (ISIN)</b>	XS2260457754
<b>Emission rating</b>	S&P: BB- va Fitch: BB-
<b>Emission rate</b>	Not guaranteed
<b>Format</b>	Reg S
<b>Currency</b>	USD
<b>Emission amount</b>	300 mln. USD
<b>Cost</b>	100.0 (par)
<b>Coupon</b>	annual 5.5%, paid semi-annually on May 19 and November 19 in equal. Date of first payment - May 19, 2021.
<b>Pricing date</b>	November 12, 2020
<b>Account date</b>	November 19, 2020 y.
<b>Deadline</b>	5 years, November 19, 2025 y.
<b>Repayment of principal debt</b>	One-time payment at the end of the term
<b>Listing</b>	London Stock Exchange, a regulated market
<b>Legislation</b>	English law
<b>Denomination</b>	200 000 USD. x 1 000 USD

After the issuance of Uzpromstroy bank JSCB, Ipoteka Bank attracted capital in the amount of 300 mln USD for a period of 5 years in 2020. The interest rate was 5.5% per annum and was scheduled to be paid semi-annually.

**Conclusion**

The issue of attracting foreign capital is important in increasing the international competitiveness of joint stock companies operating in our country. This is also done through the placement of shares on international stock exchanges in the form of open subscriptions, which have a direct impact on the quality of production and services.

<sup>4</sup> <https://ipotekabank.uz/uzb/investors/debt-securities/> - the formal web site of "Ipoteka bank" JSCIB

In general, it is expedient to divide the practice of financing corporate structures at the expense of debt into two groups, attracting funds from credit institutions and financing through debt securities.

The use of any form of financing at the expense of borrowed funds is directly related to the situation in the financial market, the cost of capital, the credit rating of the country and the corporate structure.

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