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INTRODUCTION AND DEVELOPMENT OF THE MARKET OF FINANCIAL DERIVATIVE INSTRUMENTS IN THE REPUBLIC OF UZBEKISTAN

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Abstract: In this article, advanced foreign experience on the organization of the financial derivative instruments market in our country was studied, analytical studies were carried out with the inclusion of standardized conditions for financial derivative instruments, including futures contracts.

Key words: derivatives, option, futures, swap, forward, speculation, hedge

INTRODUCTION

Today, in our country, along with various fields, the finance and capital market is also developing rapidly. In the Republic of Uzbekistan, attention is being paid to the goals of increasing the competitiveness of the financial market, creating effective financing mechanisms that are an alternative to lending processes by commercial banks, active integration with international financial markets, and introducing approaches based on modern information and communication technologies, having studied advanced approaches that have been successfully tested abroad.

The market of financial derivative instruments is distinguished by the variety of financial instruments on the financial exchange and over-the-counter market. Financial derivative instruments allow investors to diversify their stock portfolio and hedge certain risks. In developed countries, the market of financial derivative instruments is considered an important and integral part of the financial market, and in the USA, Japan, and European countries, a large part of the financial market corresponds to the market of financial derivative instruments.

LITERATURE VIEW

Until now, a number of scientists have conducted scientific research on the development of the market of financial derivative instruments, increasing its weight in the financial market, stimulating its development through various mechanisms. Including, i.f.n. associate professor S.V. According to Matrosov, a financial derivative instrument is a contract for the purchase (sale) of a certain asset at the time and price specified in the contract.[1]

[1] Matrosov S.V. Possibilities of using the tools of the global derivatives market at the present stage of its evolution // Bulletin of the Financial University. 2011

According to Ph.D. A.R. Makhmutov, financial derivative instruments distribute risks and indicate the probability of default for each asset separately, but it can also create systematic risks.[2]

According to George Abuselidze and Nadiya Reznik, financial derivative instruments are effectively used by business entities to hedge risks and eliminate uncertainties in future prices. In this way, financial derivative instruments contribute to the development of the economy.[3]

In our opinion, the introduction of trading with financial derivative instruments along with various instruments of the financial market in our country will have many positive effects on our economy, as well as provide our business entities with the opportunity to protect themselves from risks arising from future price uncertainties during the period of geopolitical changes.

ANALYSIS AND DISCUSSION OF RESULTS

If we analyze the indicators of the foreign trade turnover of our country, which is increasingly integrated into the world economy, we can see that it has increased compared to previous years, and export-import operations are growing rapidly. Uzbekistan's foreign trade turnover has not yet reached the pre-pandemic level, but continues to grow.

Table-1

Foreign trade turnover of the Republic of Uzbekistan in 2017-2021[4]

mln. USD

Years	2017	2018	2019	2020	2021
Foreign trade turnover	26 907,00	33 809,10	42 200,00	36 300,00	42 100,00
Export	13 893,60	14 253,90	17 900,00	15 200,00	16 600,00
Import	13 013,40	19 555,20	24 300,00	21 100,00	25 460,00

The result of the growth of the foreign trade turnover of Uzbekistan shows that the introduction of the market of financial derivative instruments in the financial market of our country is one of the urgent issues. Business entities in our country will have the opportunity to hedge currency risks in their export-import operations using financial derivative instruments.

[2] Makhmutov A.R. Derivatives and their role in the financial market//Actual problems of the humanities and natural sciences. 2009

[3] George Abuselidze, Nadiia Reznik. Global Financial Derivatives Market Development and Trading on the Example of Ukraine// SHS Web of Conferences 74/Globalization and its Socio-Economic Consequences 2019. 1-10 pages

[4] It was prepared by the author based on the data of the State Statistics Committee

Decree No. 6207 of the President of the Republic of Uzbekistan dated April 13, 2021 "On measures to further develop the capital market" includes measures to develop the capital market in your country, including the introduction of new types of securities based on market requirements and currency futures aimed at reducing currency risks. The fact that it is necessary to carry out measures shows that the introduction of the market of financial derivative instruments is urgent.

A financial derivative is a security whose price is based on one or more underlying assets. Its price is determined by the change of the underlying asset, as the underlying assets can be currency, commodity, securities, indexes etc. Based on the experiences of advanced foreign countries, the market of financial derivative instruments includes four main types of financial derivative instruments: options, futures, forwards and currency swaps.

Option - an agreement (right) to sell or buy a certain amount of the underlying asset on a specific date in the future at the agreed price on the day of the transaction.

A futures contract is an agreement (obligation) to sell or buy a certain amount of the underlying asset on a specific day in the future at an agreed price on the day of the transaction.

Forward - a contract to sell or buy a certain amount of the underlying asset on a specific day in the future at the agreed price on the day of the transaction (over-the-counter transaction).

FX swap is a bilateral transaction for the simultaneous sale and purchase of currencies, and settlements are made within the terms specified in the terms of the transaction.

The main difference between a futures contract and a forward contract is explained by the fact that it is traded on the stock exchange, its conditions are standardized, and the risks that may arise as a result of the constant reassessment of the parties' positions (profit and loss) (Mark-to-Market principle) are reduced by the exchange acting as a central counterparty.

Standardization of the terms of the futures contract means the name of the futures contract, the underlying asset and its amount, the type of contract, the term, the minimum price change step and its value, and other conditions. Futures contracts are divided into two types: delivered and settled. In the delivered futures contract, the underlying asset is transferred from one party to the other on the settlement date. In the settlement-book futures contract, the underlying asset is not transferred from one party to the other on the settlement day, the participant who has an obligation is paid by the difference between the opening and closing price of the position under the futures contract.

According to the experience of foreign developed countries, the standardized terms of the futures contract are developed independently by each stock exchange, and are released for matching auctions.

The main purpose of trading futures contract based on currency:

- Hedging currency risks;
- Speculation.

When business entities have contracts with foreign trade partners that stipulate that after a certain period one party will deliver goods and the other party will make payments in currency, they may open a position on currency futures contracts in order to hedge against the devaluation and inflation of the exchange rate.

For example, in a currency futures contract based on the exchange rate of the US dollar against the soum (the underlying asset is the US dollar):

• The buyer of the currency futures contract is protected from the devaluation of the exchange rate;

• The seller of the currency futures contract is protected against the strengthening of the exchange rate.

An example of speculative operations is the closing of positions opened during the trading process of the currency futures contract after a certain period of time in order to make a profit.

To open a position (buy/sell) on currency futures contracts, it is enough to have an amount equal to the initial margin in the trading account, and the amount of the initial margin will be several times cheaper than the price of the underlying asset.

The trading account can consist of the general balance, which includes the free funds of the trading participant and the margin balances opened for each position. It is checked that the amounts in the margin balance opened for each position of the trading participants who opened a position under the futures contract have a maintenance margin. Maintenance margin is determined independently by each exchange based on risk management requirements, usually its amount is equal to 50-80% of the initial margin. If there is not enough margin amount in the margin balance, then a margin call situation occurs and it is appropriate for risk management to ask the trading participant to replenish funds in the margin balance equal to the initial margin amount.

CONCLUSIONS

Taking into account that the introduction of the financial derivatives market in our country will have many positive effects on our economy, and will provide our business entities with the opportunity to hedge themselves from the risks arising from the uncertainty of future prices, as well as the possibility of making additional income by performing speculative operations, trades in financial derivative instruments will be organized on the basis of standardized conditions, starting trades with currency futures contracts expiring on different dates at the same time, introducing settled currency futures in the market of financial derivative instruments based on the possibility of trading in the currency spot market, ensuring timely settlement of transactions and payment it is in accordance with the purpose of introducing the mechanisms of recovery of initial margin and sufficient margin sums from the accounts of the transaction parties, calculated on the basis of transaction sums, for the purpose of preventing cases of incompetence.

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