



Basics of Financial Market Functioning

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ABSTRACT

The article, based on the provisions of the civil legislation of the Republic of Uzbekistan, analyzes the features of the legal regulation of the financial market, the main provisions of regulatory legal acts regulating the activities of financial market participants in the Republic of Uzbekistan.

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Introduction. At the present stage of its development, the Republic of Uzbekistan firmly adheres to the course of creating a modern market economy based on internationally recognized principles and models of state regulation, an integral part of which is the legal regulation of economic relations. To ensure sustainable economic development and fair distribution of economic results, the most important thing is to ensure financial stability and create conditions for effective investment activity. In this context, legal support for the functioning of the financial market acquires special importance.

Indeed, in a market economy, financial relations become extremely important for ensuring stability and sustainable economic growth in both economically developed and developing countries. From a sector of the economy serving industry, agriculture, construction and the like, the financial market has turned into a leading industry, largely determining the state and prospects for the development of other sectors of the economy. The author of this scientific article supports the opinions of scientists who believe that “the financial market of the early XXI century is a powerful force that determines the development of entire states”¹.

Main part. An analysis of the legal aspects of financial market regulation is impossible without considering and introducing some clarity into the term “financial market” itself. The question of what to regulate must be preceded by the question of what to regulate.

The financial market should be understood as that part of the country’s economy where the exchange of funds, financial instruments and services occurs between various economic entities. As a legal and economic category, the financial market is a set of social relations regulated by the rules of law regarding the distribution and use of financial resources.

For a more complete picture, the financial market is considered from both functional and institutional positions.

From a functional point of view, the following functions of the financial market are distinguished: redistribution, which consists in mobilizing temporarily free funds from some entities and transferring them to other entities that need them to satisfy certain of their needs (economic growth, maintaining liquidity, and so on). With the help of the financial market, financial resources are redistributed from those who spend less than they earn to those who spend more than they earn.

Also the most important is the information function of the financial market, since it creates and provides information necessary when making decisions by financial market entities. Rating and auditing activities are the most striking expression of the information function of the financial market. Comprehensive information security is the most important condition for the activities of credit institutions and the circulation of securities, since the completeness and reliability of information is the basis for making an effective decision and often determines the final results of investment activities.

From the point of view of the institutional approach, the financial market is a set of financial institutions that operate in the financial market. The main financial institutions are financial institutions that are engaged in the mobilization of financial resources and their further redistribution. These are mainly banks and numerous financial and credit institutions that actively attract free financial resources of individuals and legal entities and invest them in those sectors of the economy and public life that need them.

In ensuring the effective functioning of the financial sector of the economy, not only financial institutions that are involved in the mobilization and redistribution of free monetary resources participate, but also those financial institutions that assist in the functioning of the financial market. In particular, the activities of stock exchanges, payment systems, depositories, and so on are important for the stable functioning of the financial market. These financial institutions provide services not to citizens, enterprises of the real sector, or the state as final consumers of financial services, but to those financial market entities that are actively involved in the mobilization of free financial resources and

¹Political dimension of global financial crises. Phenomenology, theory, elimination // team of authors. - M.: Scientific Expert, 2012. - P. 220.

their redistribution. These financial institutions constitute the infrastructure institutions of the financial market, while active participants in the financial market are always a financial intermediary between the owners of free monetary resources and their consumers.

Depending on the entities operating in the financial market, it is possible to distinguish separate segments of the financial market, which, for scientific and practical purposes, can be considered as relatively independent financial markets within individual economies. In particular, there are credit, insurance, foreign exchange and securities markets, and so on. Depending on the territory covered by certain financial transactions, local, regional, national and international markets are distinguished.

All of the above applies equally to the financial markets of any modern state, including the Republic of Uzbekistan. After bringing some clarity to the concept of the financial market, we can move on to considering the issue of legal regulation of the financial market in our country.

The basis for the legal regulation of the financial market is the norms contained in the Constitution of the Republic of Uzbekistan². The very name of Chapter XXV, “Finance and Credit,” indicates that it is here that the rules of law are concentrated, creating the basis for all legislation of the republic regulating financial relations in the country. In particular, Article 122 indicates that the Republic of Uzbekistan has its own financial and monetary system, and Article 124 establishes that the banking system of the Republic of Uzbekistan is headed by the Central Bank of the Republic.

In addition, numerous norms of the Constitution of the Republic of Uzbekistan create a legal basis for the activities of government bodies, including in the field of regulation of the financial market. In particular, the norms of Chapter XVIII, devoted to the legal foundations of the activities of the Parliament of the Republic as a legislative body, determine its powers for legislative regulation of currency and credit matters (clause 7 of part one of Article 78), the appointment and dismissal of the Chairman of the Board of the Central Bank of the Republic of Uzbekistan and hearing his reports (paragraphs 9 and 12 of the first part of Article 80) and others.

To date, based on the Constitution of the Republic of Uzbekistan, numerous laws have been adopted that regulate certain aspects of the functioning of the financial market and ensure its stability and development.

The Civil Code of the Republic of Uzbekistan, which is the economic constitution of the country, contains numerous norms regulating all economic, including financial, activities on the territory of the Republic of Uzbekistan. The activities of all financial market entities, based on such principles of civil law regulation as equality and property independence of the parties, voluntariness and property responsibility for their actions and others, are subject to the provisions of the Civil Code of the Republic of Uzbekistan. In addition to general rules relating to all business entities (rules on obligations, on persons, and so on), the Civil Code of the Republic of Uzbekistan contains numerous rules that directly regulate certain types of financial activities. In particular, Chapters 41–45 are devoted to the legal regulation of such financial transactions as issuing loans and lending, financing against the assignment of a monetary claim, accepting bank deposits and maintaining bank accounts, and others. Chapter 52 is devoted to another financial operation - insurance. Chapter 34, dedicated to leasing, contains the rules grouped in paragraph 6 and regulating relations under financial leasing.

The most important of the laws that have a fundamental legal impact on the financial market and ensure

²Constitution of the Republic of Uzbekistan./ (Newspaper “Narodnoe Slovo” dated December 15, 1992, No. 247 (438); Gazette of the chambers of the Oliy Majlis of the Republic of Uzbekistan, 2019, No. 2, Art. 47)

its stable functioning and sustainable growth is the Law of the Republic of Uzbekistan “On the Central Bank of the Republic of Uzbekistan”. Familiarization with the norms contained in this Law shows that it is the Central Bank of the Republic of Uzbekistan that is the key player, whose policies decisively influence the state and prospects for the development of the financial market in the Republic of Uzbekistan.

Due to the fact that commercial banks are the main participants in the financial market of the Republic of Uzbekistan, one of the most important laws regulating the financial market is the Law of the Republic of Uzbekistan “On Banks for Banking Activity” No. LRU 580 dated November 5, 2019. This Law contains a legal definition of banking activity, which is very important from both a scientific, theoretical and practical point of view. In particular, Article 1, dedicated to the terms, defines that a bank is a legal entity that is a commercial organization and carries out a set of the following activities, defined as banking activities: accepting deposits from legal entities and individuals and using the accepted funds for lending or investing on its own fear and risk, as well as making payments. This definition allows us to identify a financial institution as a bank with all the ensuing legal, regulatory and supervisory consequences.

The Republic of Uzbekistan also has other laws regulating certain aspects of the functioning of the financial market. Due to the limited scope of this scientific article, the author limits himself to only listing the most important of them with brief comments on each of them, taking into account their significance for the legal regulation of the financial market.

Law of the Republic of Uzbekistan “On Insurance Activities” No. LRU-358-II dated April 5, 2002. Contains legal norms devoted to such basic issues as the implementation of insurance activities in the insurance industry, such as the essence of insurance activities, types of insurance operations, the legal status of professional participants in the insurance market, licensing of insurance activities, and others.

Law of the Republic of Uzbekistan “On the securities market” No. LRU-387 dated June 3, 2015. It is the main law regulating the regime of issue and circulation of securities, professional activities and disclosure of information on the securities market, regulation of the securities market and others.

Law of the Republic of Uzbekistan “On Microcredit Organizations” No. LRU-53 dated September 20, 2006. This law regulates the procedure for carrying out activities to provide microfinance services (microcredit, microloan, microleasing and others), including the issues of creation and licensing of microcredit organizations, its rights and obligations, microcredit services provided, and so on.

Law of the Republic of Uzbekistan “On payments and payment systems” No. LRU-578 dated November 1, 2019. This law contains rules that comprehensively regulate the organization and functioning of the payment system of the Republic of Uzbekistan.

Conclusion.

Summarizing all of the above, the author of this scientific article concludes that the Republic of Uzbekistan currently has a stable functioning financial market that, despite existing shortcomings, meets the requirements of modern international standards and satisfies the needs of sectors of the national economy for financial resources. The republic has created a sufficient legal framework for the functioning of the financial market, based on the Constitution of the Republic of Uzbekistan. The most important legal acts regulating the financial market of the Republic of Uzbekistan are the Civil Code of the Republic of Uzbekistan and the Law of the Republic of Uzbekistan “On the Central Bank of the Republic of Uzbekistan”.

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