

COMPARATIVE ANALYSIS OF SECURITIES
MARKET IN CENTRAL ASIA

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Annotation: This article analyzes international securities market as well as its economic role in Central Asian countries. Therefore, several investigations on the essence on features of the securities market are made in the course of the research. During the research, modern theories of international securities market and their effect of implementation into the financial market of Central Asian countries are discussed. Analysis of securities' contribution to the development and diversification of the financial services industry. It is taken into account how the securities market has affected the country's financial market's growth and development in the modern era. The significance of the securities market as alternate sources of finance for many economic sectors is researched.

Key words: securities market, Central Asia, IPO, market value, economic development

Introduction After the collapse of the Soviet Union, Central Asian (CA) countries chose various ways to liberalize the economy, privatize state property, and switch to a market-based management model. They differ in the intensity of their reforms, their management methods, and the degree of centralization of their economies. In the course of time, mistakes in the management of the economy of these countries, border conflicts, and disputes over the solution of water-power problems have worsened the situation and led to strained relations. Today, the region's countries are developing unevenly, and the existing prerequisites for regional economic integration have not been sufficiently used. The countries entered the path of market transformations simultaneously, but today one can see differentiation in the development of financial markets

Kazakhstan

Now two exchanges operate in Kazakhstan at once - the Kazakhstan Stock Exchange (KASE) in Almaty and the Astana International Exchange in Nur-Sultan. The first was established under the name "Kazakh Interbank Currency Exchange" in 1993. In the same year, the site hosted the first trading in foreign currency - US dollars,

and already in 1995 - the first trading in state treasury bills and notes of the National Bank. In 2000, the first placements of corporate bonds took place.

By September 1, 2020, the Kazakhstan Stock Exchange had 56 shareholders, the main one being the National Bank of the Republic of Kazakhstan with just over 49% of voting shares. In addition to him, among the shareholders are various Kazakhstani financial institutions (banks, insurance companies), as well as the largest Russian stock exchange - the Moscow Exchange MICEX-RTS (MOEX) with almost 3.37% of voting shares.

By the end of August 2020, there were 446 securities from 182 issuers on KASE trading lists. The largest of them form the KASE index, which reflects the change in the total market value of the most liquid shares on this stock exchange. Now it includes Bank CenterCredit, KAZ Minerals, Halyk Bank, Kcell, KEGOC, Kazatomprom, Kazakhtelecom and KazTransOil. The capitalization of this index is now about \$13.7 billion, and in general the share market is 17.7 trillion tenge, or \$41.1 billion.

The dynamics of the KASE index over the past three years has been ascending: if in 2018 it opened at the level of 2171 points, in 2019 - at the level of 2303 points, and by October 8, 2020 it amounted to 2428.48.

The volume of trades at KASE in September on the stock market amounted to about 32 billion tenge, or \$75.5 million. Also on the exchange there are trades in currency, government securities, there are REPO operations, and so on, but for comparison only data on trades in shares will be used.

The second operating stock exchange - Astana International Exchange, or AIX, was established in 2017 as part of the formation of the Astana International Financial Center. The main difference between AIX and KASE is that it operates in a regulatory environment based on common, or English, law. AIX has noticeably fewer shareholders than KASE, but they, with the exception of the AIFC administration, are all foreign: these are Goldman Sachs, the Shanghai Stock Exchange, the Silk Road Fund and the NASDAQ exchange, which provides AIX with a trading platform.

By the beginning of August, the AIX official list included 69 issues of securities from more than 40 different issuers, including, for example, Kazatomprom, People's Bank, Russia's Polymetal, ForteBank, a branch of China's Construction Bank. According to open sources, the capitalization of companies whose securities are listed on AIX exceeds \$15 billion. Trading volume on AIX in September was just over \$3.9 million. The first IPO in Kazakhstan was held in 2006, when securities of Exploration Production KazMunayGas JSC were placed on KASE. The shareholder was able to gain \$2.3 billion.

Uzbekistan

The Republican Stock Exchange "Toshkent" was created in April 1994, and its activities, as the official website says, "are closely connected with the ongoing reforms in the republic and the policy of creating open-type joint-stock companies on the basis

of privatized state enterprises." The exchange's shareholders include the State Assets Management Agency with a 50% stake, as well as the Korea Stock Exchange with a 25% stake and four local banks with a 6.25% stake each.

The total capitalization of the stock market by June 30, 2020 amounted to 51.09 trillion soums, or about \$5.06 billion. In total, according to the results of the first six months of this year, securities of 113 joint-stock companies were listed on the stock list of "Toshkent". In August, the volume of trading in securities amounted to 102.1 billion soums, or \$9.9 million; data for September were not available at the time of publication of the issue (newspaper "Kursiv"). The stock exchange trades only securities. The UCI index shows a declining trend: it opened 2018 at 1,001.7 points, and 2019 at 857.15. On October 8, this figure was at the level of 608.66 points.

In 2018, the first IPO in the history of the country took place - the Quartz company, a large glass manufacturer, placed its securities. As a result of the classic auction, 54% of the 4.5 million issued shares worth 7.5 billion soums, or \$937.5 thousand, were sold. As a result of the IPO, 3,305 residents of Uzbekistan became new shareholders of the company.

Kyrgyzstan

The Kyrgyz Stock Exchange was established in 1994 and now has 17 shareholders, including, for example, the Kazakh exchange KASE and the Istanbul BORSA Istanbul.

Until 2018, only securities were traded on the stock exchange, but then the commodity sector appeared. For example, they sell building materials there.

In the public domain on the website of the exchange, it was not possible to find aggregated data on the results of its work, but in an interview posted on the website of the co-chairman of the board of directors of the exchange, Abdutalip Sultanov, it is said that securities of 25 companies are listed on the exchange, and according to the results of the first half of 2020, the entire volume of markets capital amounted to about 35 billion soms (about \$473 million at the exchange rate in June).

Tajikistan

Although the regulatory framework for the securities market was established in Tajikistan as early as 1992, the centralized trading platform for securities – the Central Asian Stock Exchange, or CASE – appeared in 2015. Among the shareholders of the exchange is the British company GMEX Group, which is engaged in innovations and technologies in the field of financial markets. Its shareholder, in turn, is the Deutsche Borse Group, one of the largest exchange organizations in the world.

Created in the spring of 2015, the exchange opened its first trades only two years later - in April 2017, when the local Eshkata Bank placed two-year corporate bonds worth 20 million somoni on it. In terms of dollars at the rate of that time, this corresponds to a little more than \$ 2 million.

Prior to the advent of the stock exchange, transactions for the sale and purchase of securities of joint-stock companies were registered in private registers, while such transactions did not pursue the goal of raising capital for business development, according to an analytical review by CASE. Most often, banks made transactions with securities of the National Bank of the country or treasury bills of the Ministry of Finance.

There are no listed shares and government securities on the CASE official website - there is only one position in the list of bonds, so it is impossible to indicate the volume of the market as a whole

Turkmenistan

Turkmenistan is the fifth state in the region, and the most lagging behind in the development of the stock market. It is known from open sources that the Ashgabat Stock Exchange was established in 2016 and started operating in 2017. Its only possible owner, judging by the peculiarities of the country's economy, is the state, and its main goal is "the creation of a secondary securities market."

It is known that the exchange sells government treasury bonds, the issue of which began in the country at the end of 2015. However, it was not possible to find information about ongoing trading or listing of securities in the public domain - the exchange website does not work.

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