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## HOW TO MINIMIZE RISKS OF BONDS IN FINANCIAL MARKET

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### Annotation:

This article analyzes the activity of the bond market in foreign countries, particularly the USA, Germany, Japan, and China, as well as the types of securities and their purchase and sale processes based on foreign legislation. Also, in the article, the types of bonds used in the stock exchange of Uzbekistan and in the activities of banks and their behavior are compared with the practice of foreign countries.

**Keywords:** securities, share, bond, promissory note, stock market, capital, currency, circulation, debt, credit.

The term stock came from the Russian language in the last century. It came from the German language, a similar term in German is "wertrecht", whose exact translation is called "valuable right". In English, unlike Russian and German, the term "securities" does not directly have the suffix "paper". Moreover, the word "share" is translated as "share", that is, it is used without the word "paper". Just like there is a difference in the name, there are also differences in the movement of securities in the stock market of different countries.

The term stock refers to a financial instrument that has a certain type of monetary value, is exchangeable, and is put into circulation. A security can represent ownership of a corporation in the form of shares, a creditor relationship with a government agency, or a corporation that owns a bond of this enterprise. Securities are financial instruments that are used, traded, and traded in public and private markets to raise capital.

There are three main types of securities in the United States: stock - provides ownership rights to owners; debt - mainly loans that are repaid with periodic payments; and hybrids combine aspects of debt and equity. Public trading of securities in the United States is controlled by the SEC, that is, the Securities and Exchange Commission. Self-regulatory organizations such as NASD, NFA, and FINRA also play an important role in securities regulation. Investment funds in the USA are an example of the largest investment funds in the world. For example, Fidelity Investments, Vanguard, BlackRock, State Street Corporation are among them.

In the United States, a stock represents the ownership interest held by the shareholders of an enterprise, company, partnership, or trust that is traded in the form of capital stock, including common and preferred stock.

Debt securities, including government and corporate bonds, certificates of deposit (CDs), and collateralized securities, such as CDOs and CMOs, typically entitle their holders to regular interest and principal payments, regardless of the performance of the issuer. They are usually issued for a fixed



period, at the end of which they can be purchased by the issuer. Debt securities may be secured or unsecured and, if secured, may have contractual priority over other unsecured, subordinated debt in bankruptcy.

Hybrid securities, as the name suggests, combine some features of debt and equity securities. Examples of hybrid securities include stock warrants (options issued by the company itself, which give shareholders the right to buy shares for a certain period and at a certain price), convertible bonds (bonds that can be converted into common shares of the issuing company), and other preferred shares, that is, shares of a company whose payment of interest, dividends or other returns of capital may have priority over those of other shareholders [6].

Although preferred stock is technically classified as a security, it is often considered a debt security because it acts like a bond. Preferred stocks offer a fixed dividend rate and are a popular vehicle for income-seeking investors. It is basically a fixed income security.

In Japan, stocks and bonds are widely used securities in the stock market and in practice. Ordinary, preferential, large-scale and medium-level shares are divided here. There are also bonds issued by the Japanese government. The government pays interest on the bond until maturity. At maturity, the full price of the bond is returned to the bondholder. Japanese government bonds play a major role in the Japanese financial securities market.

Japanese government bonds have maturities ranging from two to forty years. Fixed coupon payments are determined at the time of issuance and are paid semiannually until the securities mature. There are four types of Japanese government bonds:

- general bonds, such as construction bonds and debt financing bonds;
- fiscal investment and credit program bonds, they are Fiscal credit can be used to attract funds for the fund's investments;
- reconstruction bonds;
- redeemable bonds.

In recent years, there has been a decrease in liquidity in the bond market due to the aggressive monetary actions of the Central Bank of Japan. In 2013, the Bank of Japan began buying billions of dollars of Japanese government bonds, pumping cash into the economy in an effort to push the country's low annual inflation rate to around two percent.

As of 2020, the Central Bank owns more than 48 percent of Japan's government bonds. There is an inverse relationship between interest rates and bond prices, which are determined by supply and demand in the markets. Buying bonds increases the demand for them, which increases their price.

In Russia, the activity of the stock market is somewhat simpler, that is, it is similar to that of Uzbekistan. Here, too, the shares are ordinary and preferential. Ordinary shares give the right to vote at the general meeting of shareholders.

Common shareholders participate in the distribution of the company's profits only after replenishing the company's reserves and paying dividends on preferred shares. Therefore, the payment of dividends on common shares is not guaranteed, as it depends on the operating performance of the company and the amount of its profits.



After the dissolution of the company, the common stock entitles the shareholder to a portion of the company's assets after settlement with creditors and preferred shareholders.

Preference shares give their shareholders the priority right to receive dividends at a fixed rate, regardless of the amount of profit of the joint-stock company during the reporting period. Preference shareholders also enjoy a priority right to receive part of the joint-stock company's assets after its liquidation. At the same time, the preferred shareholders participate in the management of the joint-stock company in a limited way.

The nominal value of the share is determined by dividing the authorized capital of the joint-stock company by the number of its issued shares. When a joint-stock company is established, shares are paid for at nominal value. The nominal value of a share is the basis for determining its issue and market price (that is, its price on the stock exchange and over-the-counter market), as well as for calculating dividends. The market price of a share depends on the balance of demand and supply, which in turn is determined by the amount of dividends on shares, the situation in the stock market, the influence of advertising and many other factors.

The rules for the protection of investors' rights in Russia are defined in the Federal Law of March 5, 1999 No. 46-FZ "On the Protection of the Rights and Legal Interests of Investors in the Securities Market". The special procedure for disclosure of information about public joint-stock companies is aimed at protecting the rights of investors and providing current and prospective investors with information for making investment decisions. Public joint-stock companies are required to disclose the most important documents for investors, such as their annual and quarterly reports and annual financial statements.

Bonds are another type of securities. According to the type of issuer, bonds can be divided into three main categories: corporate (including stock exchange bonds), state (federal bonds) and regional (bonds issued by Russian entities and municipalities). Bonds have a maturity period, and after its expiration, the bondholder has the right to receive from the bond issuer all the income on the bond specified in the issue prospectus, equal to the nominal value of the bond. Corporate bonds must be state registered with the Bank of Russia, state and regional bonds must be registered with the Russian Ministry of Finance, and stock bonds must be registered with the Moscow Stock Exchange.

There are several types of securities in the UK. In addition to equity, debt, derivatives, and hybrid securities, there are other less popular types of financial securities. Additional types of securities are: Certificated securities are usually in paper form, meaning they are securities in physical form. These securities are usually part of a commodity inventory that a qualified representative inspects and authorizes for trading in the futures market. Sometimes, this can be in the form of stock certificates that companies issue for their shares.

Issuer securities are a type of non-ownership, fixed-income securities that the buyer receives in physical form. Only a physical certificate is required to transfer ownership of securities of the commission holder. You don't even need to report this transfer. Currently, these types of securities cannot be bought or sold in many countries, but knowing about them is essential to better understand the trading market.



Registered securities are another less common type of financial securities. Often, the issuing company or agent registers ownership of this type of security. This is different from bearer securities because bearer securities do not require it.

In comparison with the stock market of Uzbekistan, it can be seen that the stocks used in the Russian stock exchange are almost no different from those in our capital market. This can be explained by the entry of the states into the Romano-Germanic family of law. Because in countries such as the United States and the United Kingdom, which are part of the Anglo-Saxon legal family, it was considered that securities are mainly divided into four types.

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