PRESENTATION

Overview of Securities Market in the Region

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Current situation in securities market of Uzbekistan

- The following have been developed and modernized:
  - On exchange system - Republican Stock Exchange "Tashkent is in operation with 12 branches in the region
  - Off-exchange market - Electronic OTC Trading System with "Elsis-Savdo" with more than 20 order reception offices
  - Two depository system, including the Central Depository and more than 25 second-tier depositories
  - Clearing-settlement agency "Elsis-Kliring"
  - More than 30 information analysis, consulting, rating, evaluating and auditing organization
  - More than 650 investments funds, management and investment companies, broker dealer, register and other organization
The structure of securities market

1) Investment intermediators (stock brokers and dealers)
2) Investment consultants
3) Investment Funds (Ifs, PIFs)
4) Trust companies
5) Clearing organizations
6) Investment companies
7) Registrars
8) Depositaries
9) Nominal holders of securities
10) National Association of Investment Institutions
Where and how it is possible to purchase securities?

- RSE «Toshkent»
- Trough intermediators
  - Different volume of shares
- Over-the-counter system of electronic trades «Elsis–savdo»
  - Without intermediators
    - Usually small amount of shares
- Exchange department of the Republican foreign exchange
  - Trough dealers-banks
    - Large and medium amount of State short term bonds
- The banks of Uzbekistan
  - Without intermediators
    - Deposit certificates
- Over-the-counter unorganized market (street)
  - Registration of transactions by investment institutions
    - Different volume of shares

Over-the-counter unorganized market is not acting from August 2002
Classification of valuable papers of Republic of Uzbekistan

The valuable papers, which can be let out according to the Law of Republic of Uzbekistan "About valuable papers and share stock exchange" from September 2, 1993

- Shares
- Bonds
- Treasury liabilities
- Certificates of deposit
- Bills
- Derivative valuable papers
Classification of shares which are issuing according to the legislation of Republic of Uzbekistan

- Difference of classification
  - Ordinary
  - Privileged
  - Convertible
  - Named shares
  - To bearer
- Realization of the rights of the shareholders
- Way of reflection of movement
- Way of release in the reference
- Degree of accommodation
- The shares of the closed joint-stock companies
- The shares of the open joint-stock companies
- Placed
- Announced
The classification of bonds of the Republic of Uzbekistan

State bonds
- Short-term bonds 6,9,12 months

Corporate bonds
- Mid-term bonds 1-5 years
- Long-term bonds more than 5 years (usually until 30 years)
The process of trading of securities on stock exchange

- Depository
  - Blocking of securities
  - Seller of securities
    - Seller’s broker
    - Stock Exchange
      - Clearing organization
      - Buyer’s broker
    - Buyer of securities
## The turnover of major products of securities market (bln.uzb.sums)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>equities</td>
<td>6,4</td>
<td>11,0</td>
<td>17,2</td>
<td>20,3</td>
<td>42,8</td>
<td>53,3</td>
</tr>
<tr>
<td>government bonds</td>
<td>42,8</td>
<td>64,3</td>
<td>43,0</td>
<td>35,8</td>
<td>42,4</td>
<td>45,3</td>
</tr>
<tr>
<td>corporate bonds</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
<td>1,2</td>
<td>11,7</td>
</tr>
<tr>
<td>Total</td>
<td>49,2</td>
<td>75,3</td>
<td>60,1</td>
<td>62,0</td>
<td>86,4</td>
<td>110,4</td>
</tr>
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</table>

### In percentage of GDP

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
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<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>equities</td>
<td>0,5</td>
<td>0,5</td>
<td>0,5</td>
<td>0,5</td>
<td>0,6</td>
<td>0,5</td>
</tr>
<tr>
<td>government bonds</td>
<td>3,2</td>
<td>3,0</td>
<td>1,3</td>
<td>0,7</td>
<td>0,6</td>
<td>0,5</td>
</tr>
<tr>
<td>corporate bonds</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
<td>0,02</td>
<td>0,1</td>
</tr>
</tbody>
</table>
The diagram of turnover of products of securities market and as % of GDP (1998-2003, bln.uzb.sums)
The volume of transactions in primary and secondary securities market (2001-2003) bln.uzb.sums
**Regulation of securities market**

The Center of Coordination and Control of Securities Market under the State Committee of Property Management is an authorized state regulatory body in securities market of Uzbekistan. The regulation of the market for the government securities is conducted by the Central Bank and Ministry of Finance of the Republic of Uzbekistan.
The main regulatory Government bodies of securities market

The Center for coordination and control over functioning of securities market under the State Property Committee of the Republic of Uzbekistan


The Central bank of the Republic of Uzbekistan

32 Commercial banks, which are participating in SM, a General Agent of MF in Government Securities

The Ministry of Finance of the Republic of Uzbekistan

An Issuer of Government securities bonds, in conference with CB conducts the rules in Government securities market, agreement of acting lows and other normative documents which regulates SM
### Government short-term bonds in 1998-2003 years

(bln. uzb. sums)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
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<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of outstanding issues (series)</td>
<td>36</td>
<td>39</td>
<td>39</td>
<td>40</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Notional Amount (nominal value)</td>
<td>43</td>
<td>64,3</td>
<td>43,0</td>
<td>45,9</td>
<td>42,4</td>
<td>45,3</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>40,9</td>
<td>61,3</td>
<td>40,5</td>
<td>43,2</td>
<td>39,9</td>
<td>43,1</td>
</tr>
<tr>
<td>Primary market (auction) turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>monthly average</td>
<td>4,6</td>
<td>5,3</td>
<td>3,9</td>
<td>5,8</td>
<td>1,8</td>
<td>1,6</td>
</tr>
<tr>
<td>yearly</td>
<td>55,5</td>
<td>63,4</td>
<td>47,3</td>
<td>69,0</td>
<td>21,7</td>
<td>19,2</td>
</tr>
<tr>
<td>Secondary trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>monthly average</td>
<td>6,2</td>
<td>7,0</td>
<td>5,5</td>
<td>3,2</td>
<td>3,9</td>
<td>2,6</td>
</tr>
<tr>
<td>yearly</td>
<td>74,2</td>
<td>83,5</td>
<td>65,5</td>
<td>38,4</td>
<td>46,7</td>
<td>31,1</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Dec-98</th>
<th>Dec-99</th>
<th>Dec-00</th>
<th>Dec-01</th>
<th>Dec-02</th>
<th>Dec-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average yield curve (end of year)</td>
<td>21,8</td>
<td>17,0</td>
<td>15,6</td>
<td>17,0</td>
<td>16,3</td>
<td>12,6</td>
</tr>
</tbody>
</table>
Government short-term bonds and average yield curve in 1998-2003 years (bln.uzb.sums) (%)
Brief overview of privatization in Uzbekistan

Previous years of political and economic independence and Uzbekistan's own model of transition to market relations testify the successful choice of strategic directions of the state policy in forming and development of class of real property-owners.

At the first stage of economic reforms (1992-1993) the privatization of state housing fund, small and medium enterprises of trade, service, local, light and food industries, automobile transport and construction formed 52,268 owners of trade, consumer services, public catering, consumer cooperation entities, 95% of which did not have a legal entity status previously.

At the second stage (1994 - 1996), as a result of a wide-scale privatization of all branches of industry (except the basic ones) including agricultural complex the class of real property-owners was formed. It consisted of 2 million shareholders of privatized enterprises, 3 million owners of personal household plots, 85 thousand owners of private and small enterprises and 14 thousand of real estate owners.
Since 1998 the privatization of industrial giants, subsidiary enterprises of fuel and energy complex, chemical, metallurgical and machine-building industries is conducted, and starting from 1999 it's carried out with wide attraction of foreign capital.
New methods of selling government equities which were applied in 2003

- Selling low profitable and economically not wealthy government equities and low liquid objects to investors for «0» cost on competition with investment liabilities;

- Step by step decreasing of started price of government equities of privatized companies

- Selling of government equities lower than nominal price
New changes in securities market and reforms in privatisation process

1) From 2003 was created the Centre for corporate management in an effort to achieve perfect system of preparing managers to Joint stock companies;

2) From February 1, 2003 the minimum dimension of authorised capital stock of Joint-stock companies was established in 50 000 US dollars.

3) For further stimulating of participation in privatisation process natural persons during 5 years were exempted from taxation of profits from dividends, collected from shares of privatised enterprises

4) Step by step handing over of government share holding for trust management to professional management companies on competitive basis in 2003-2004.
5) There were conducted the rules of management of investment fund’s assets and shares by trust(management) companies;

6) According to the Government resolution from April 29, 2003 transactions with share holdings of JSC in secondary market must carry out only through stock exchange trades and well organised OTC market.

7) From 2004 there will be issued Government mid-term bonds with period of circulation from 1,5 years to 5 years.
8) Due to the President Decree from March 2002 the enterprises were provided to issue corporate bonds in a volume of not exceeding authorised capital stock (before this Decree there have been established the limit of issuing by Joint stock companies in a volume 20% of authorised capital stock).

9) In October 2003 was obtained free convertibility on current accounts and signed the VIII article of IMF’s Memorandum.
## The turnover of major products of securities market (mln, USD)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
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<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>equities</strong></td>
<td>67.5</td>
<td>88.3</td>
<td>72.4</td>
<td>61.9</td>
<td>55.0</td>
<td>33.0</td>
</tr>
<tr>
<td><strong>government bonds</strong></td>
<td>451.7</td>
<td>514.8</td>
<td>180.9</td>
<td>84.3</td>
<td>54.5</td>
<td>56.4</td>
</tr>
<tr>
<td><strong>corporate bonds</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.5</td>
<td>19.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>519.1</td>
<td>603.1</td>
<td>253.2</td>
<td>146.3</td>
<td>111.0</td>
<td>108.5</td>
</tr>
<tr>
<td><strong>equities</strong></td>
<td>13%</td>
<td>15%</td>
<td>29%</td>
<td>42%</td>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>government bonds</strong></td>
<td>87%</td>
<td>85%</td>
<td>71%</td>
<td>58%</td>
<td>49%</td>
<td>52%</td>
</tr>
<tr>
<td><strong>corporate bonds</strong></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>18%</td>
</tr>
</tbody>
</table>
The diagram of turnover of major products of securities market (1998-2003, mln. USD)
<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notional Amount (nominal value)</strong></td>
<td>452</td>
<td>514,8</td>
<td>180,9</td>
<td>84,3</td>
<td>54,5</td>
<td>56,4</td>
</tr>
<tr>
<td><strong>Market Capitalization</strong></td>
<td>431,0</td>
<td>491,2</td>
<td>170,6</td>
<td>79,9</td>
<td>51,3</td>
<td>50,0</td>
</tr>
<tr>
<td><strong>Primary market (auction) turnover</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>monthly average</td>
<td>48,8</td>
<td>42,3</td>
<td>16,6</td>
<td>5,8</td>
<td>2,3</td>
<td>1,6</td>
</tr>
<tr>
<td>yearly</td>
<td>585,0</td>
<td>508,0</td>
<td>199,1</td>
<td>69,0</td>
<td>27,9</td>
<td>19,2</td>
</tr>
<tr>
<td><strong>Secondary trading</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>monthly average</td>
<td>65,3</td>
<td>55,8</td>
<td>23,0</td>
<td>7,5</td>
<td>5,0</td>
<td>2,6</td>
</tr>
<tr>
<td>yearly</td>
<td>783,1</td>
<td>669,2</td>
<td>275,8</td>
<td>90,5</td>
<td>60,0</td>
<td>31,1</td>
</tr>
<tr>
<td><strong>Yield Curve (end of year)</strong></td>
<td>Dec-98</td>
<td>Dec-99</td>
<td>Dec-00</td>
<td>Dec-01</td>
<td>Dec-02</td>
<td>Dec-03</td>
</tr>
<tr>
<td></td>
<td>21,78</td>
<td>17,04</td>
<td>15,63</td>
<td>17,04</td>
<td>16,26</td>
<td>12,6</td>
</tr>
</tbody>
</table>
Thank you for attention!

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Chief of Securities and financial markets Department

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