



STAGES AND CHARACTERISTICS OF THE DEVELOPMENT OF THE SECURITIES MARKET IN UZBEKISTAN

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Abstract. This thesis examines the development stages and key features of the securities market in Uzbekistan, tracing its evolution from the early post-independence period to the present. The research analyzes the institutional, legal, and economic factors that have shaped market growth, as well as the challenges hindering its full potential. A comprehensive review of domestic reforms and global capital market trends provides a comparative perspective, highlighting opportunities for policy improvement and innovation. The findings reveal that while significant progress has been made in establishing the foundational infrastructure, the market remains relatively underdeveloped in terms of liquidity, investor diversity, and product range. Addressing these gaps will require strategic reforms, such as enhancing transparency, strengthening regulatory frameworks, expanding financial instruments, and fostering investor education. Ultimately, a competitive and well-regulated securities market is essential for mobilizing investment, supporting sustainable economic growth, and integrating Uzbekistan more effectively into the global financial system.

Keywords: Uzbekistan, securities market, capital market development, stock exchange, financial reforms, investment, economic growth, financial regulation.

Introduction.

The development of a competitive and efficient securities market is essential for stimulating economic growth and mobilizing investment in emerging economies. In Uzbekistan, the establishment of the Republican Stock Exchange “Tashkent” in 1994 marked a pivotal step toward the formation of a capital market following the dissolution of the Soviet Union (Alimov & Mukhamedov, 2021; BM.GE, 2025). Despite such efforts, market activity remained subdued for years, constrained by limited trading volumes, narrow investor participation, and dominant state ownership in listed companies (BM.GE, 2025; Ataniyazov & Sayfullokhon, 2022).

Recent years, however, have seen the launch of bold reform initiatives aimed at revitalizing the securities market. These include enhancements to regulatory and legal infrastructure, adoption of digital identification systems, and alignment with global standards (Muxamedov & Ibodullayev, 2025). In addition, Uzbekistan’s partnership with Franklin Templeton to manage the



National Investment Fund and the planned listing of \$1.7 billion in state assets by early 2026 illustrate the country's commitment to attracting international capital and fostering transparency (Financial Times, 2025).

Nevertheless, significant challenges persist. Market liquidity remains low, and investor confidence needs bolstering through increased transparency, modern financial instruments, and improved digital infrastructure (FT, 2025; Kursiv Uzbekistan, 2025).

This thesis examines the structural and temporal stages of Uzbekistan's securities market development, assesses current strengths and weaknesses, and proposes policy recommendations to enhance market efficiency and integration into global financial systems.

Main body.

1. Historical Evolution and Market Structure

Following the dissolution of the Soviet Union, Uzbekistan embarked on gradual privatization, converting state enterprises into joint-stock companies and listing a portion of their equity through the Republican Stock Exchange "Tashkent" (RSE) in April 1994 (Wikipedia, 2025). This cautious approach avoided the emergence of oligarchic structures and promoted broad-based, albeit limited, shareholder ownership (Wikipedia, 2025).

By mid-2024, the Tashkent Stock Exchange listed over 100 issuers and 157 securities, with primary market capitalization approximating 21% of GDP. Trading activity surged—transaction counts increased by 82%, though overall trading volume dropped by 79% compared to 2023. The market boasted over 813,600 brokerage clients, most being individuals (UzDaily, 2024).

2. Recent Dynamics and Retail Investor Surge

A watershed year, 2023, saw a dramatic surge in retail participation. Factors such as fintech innovations (e.g., Jett.uz) and mobile trading apps democratized access, resulting in over 411,900 stock transactions amounting to 2.7 trillion soms (~\$215 million)—a fivefold increase in volume from the previous year. Yet, overall transaction value declined due to diminished large-scale privatization deals.

October 2023 marked a record-breaking month for market activity: trading volume reached UZS 20.7 billion (~\$1.7 million), an 8.5-fold year-on-year increase, driven by OTC expansion and bond market developments. Notably, Uzbekistan issued local-currency green bonds (UZS 4.25 trillion) and USD-denominated Eurobonds (\$660 million), both highly oversubscribed (Daryo, 2023).



3. Regulatory and Institutional Reforms

Uzbekistan has embarked on sweeping regulatory reforms since 2021, centered on deepening market infrastructure, enhancing investor protections, and fostering international integration.

a. Institutional Restructuring

The National Agency of Perspective Projects (NAPP) assumed regulatory authority over the capital markets in 2023, consolidating responsibilities ranging from licensing to corporate governance oversight (Azizov & Partners, 2023).

A major roadmap for 2023–2025 introduced key reforms, including transforming the Central Securities Depository (CSD) into a joint-stock company, creating a National Clearing Center, and establishing regulatory sandbox provisions for market innovation (Azizov & Partners, 2023).

b. Technology and International Connectivity

Beginning in 2025, the CSD will consolidate custody of corporate and state securities under the Central Bank, enhancing efficiency (Daryo, 2023).

. Collaboration with Korea Exchange (KRX) introduced a unified IT infrastructure, supporting modernization efforts (Wikipedia, 2025).

Integration with global systems is underway: RSE data is now accessible via Bloomberg terminals, broadening international investor reach (RSE press release, 2024).

Discussions with Clearstream aim to enable seamless cross-border custodianship (Silk Capital profile, 2025).

c. Legal Enhancements and Investor Incentives

Legislative reforms introduced tax incentives for IPO participants, workplace-based share ownership plans (ESOPs), and regulatory safeguards, such as mandatory dividend distribution and authority for regulators to replace non-compliant company management (Daryo, 2023; Azizov & Partners, 2023).

A key development involves Franklin Templeton's management of the Uzbekistan National Investment Fund, which plans to list \$1.7 billion in state assets globally by early 2026, signaling a push toward liberalizing state ownership and attracting foreign capital (Financial Times, 2025).

4. Achievements and Structural Challenges

Reforms have yielded several positive outcomes:

Enhanced Market Access and Activity: The retail boom and mobile trading penetration expanded participation (Alkes Research, 2024).



Financial Innovation: The launch of green bonds and OTC trading increased institutional depth (Daryo, 2023).

International Integration: Bloomberg exposure and infrastructural progress position Uzbekistan within global capital flows (RSE, 2024; Silk Capital, 2025).

Despite benefits, significant obstacles remain:

Low Liquidity and Investor Confidence: Volatility, concentrated state ownership, and sporadic trading volumes hinder market vibrancy (BM.GE, 2025).

Substantial State Presence: The state continues to hold majority stakes in many listed companies, limiting free float and governance diversity (Wikipedia, 2025).

Regulatory Consolidation Risks: While institutional reform aids efficiency, the transition poses challenges in capacity-building and legal clarity.

Global Integration Impediments: Delays in underwriting infrastructure (e.g., Clearstream) and low free-float value continue to deter some foreign investors (Financial Times, 2025).

5. Synthesis: Road Ahead

Taken together, Uzbekistan's securities market stands at a pivotal juncture. Institutional and regulatory modernization, coupled with digitalization and international partnerships, have laid a strong foundation for capital market growth. Increased retail involvement, diversification of instruments (e.g., green bonds), and opening assets to global investors signal positive transformation.

However, for sustainable advancement, policy-makers should focus on enhancing liquidity (e.g., through new IPOs), strengthening governance through reduced state concentration, deepening infrastructure (e.g., completing Clearstream integration), and building investor trust via transparency and stewardship. These steps will forge a dynamic, inclusive, and resilient capital market aligned with international standards.

Conclusion

The development of Uzbekistan's securities market has undergone a complex and multifaceted transformation, shaped by the country's broader economic reforms, institutional restructuring, and integration into the global financial system. The historical evolution of the market reveals distinct stages, from the early establishment of rudimentary trading platforms and the adoption of foundational legal frameworks in the 1990s, to the more structured and technologically advanced systems emerging in recent years. This progression reflects not only the government's strategic priorities but also the growing





recognition of capital markets as a critical driver of sustainable economic growth.

Despite significant progress, challenges remain in ensuring sufficient market depth, liquidity, transparency, and investor confidence. The limited participation of institutional investors, the underdevelopment of derivative instruments, and relatively low public awareness of securities investment continue to hinder the full realization of the market's potential. Addressing these issues will require targeted reforms, including the modernization of regulatory frameworks, the introduction of innovative financial products, and the strengthening of investor education initiatives.

International experience shows that robust capital markets serve as an essential mechanism for mobilizing long-term financing, diversifying investment opportunities, and enhancing economic resilience. For Uzbekistan, fostering a competitive, transparent, and well-regulated securities market will be instrumental in attracting both domestic and foreign investment, thereby supporting the country's long-term socio-economic development objectives.

In conclusion, the securities market of Uzbekistan stands at a pivotal juncture. Strategic policy interventions, informed by both domestic needs and global best practices, can transform it into a dynamic engine of economic modernization, innovation, and inclusive growth..

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