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THE ROLE OF LISTING REQUIREMENTS IN INVESTMENT ACTIVITY

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Abstract
The article discusses the introduction of listing requirements by stock exchanges and its impact on the activities of joint-stock companies. The types of listings, their nature, and levels used in the stock markets of the Russian Federation and the Republic of Uzbekistan were studied. The trends in the development of the activities of joint stock companies on the stock market of Uzbekistan and the directions for its further improvement have been identified.

Keywords: listing, listing requirements, securities, joint-stock companies.

Introduction

Currently, in the process of radical changes in the world economy, resources are increasingly limited, and the need of economic entities for raw materials is increasing. Since 2017, the strengthening of complex integration processes into the world market in Uzbekistan is reflected in the rapid development of the stock market and the further strengthening of the internationalization of enterprises.

The stock market is considered a locomotive that unites a single market of entities operating in the financial sector, and is one of the important participants in all spheres of world economic relations [1].

The stock market is one of the most important sectors that needs to be developed in the economy of Uzbekistan, and its main activity should be aimed at measures to increase the volume of money circulation between business entities.

In our country, special attention is paid to the development of the stock market, further increasing its priority in the economy, and regulating its activities. In particular, the 27th goal of the Strategy for the Further Development of the Republic of Uzbekistan is called “In order to increase financial resources in the economy, increase the turnover of the stock market from 200 million US dollars to 7 billion US dollars in the next 5 years” and focuses on the development of the stock market [2].

2. Literature Review

The world is experiencing a boom in private investment, which began several years ago with the recovery from the crisis caused by the coronavirus pandemic.

Sharp W., Alexander G., Bailey J. in their studies considered the stock market as an intermediary in the purchase and sale of securities and intermediaries in the exchange of financial assets [3].

Listing is of fundamental importance. First, only marketable securities can undergo these "screening" procedures. Secondly, this mechanism is aimed at protecting investors from various types of fraud - through the disclosure of publicly available reliable information. In a number of countries, listing is the basis for certain tax benefits for issuers; in addition, it is easier for these issuers to gain the trust of banks and other credit institutions when the need for loans arises [4].

The impact of negative and positive changes in the financial market of one country on the financial market of another country depends on the level of globalization of the financial market, and this process is carried out by ensuring the integration of the national stock market into the international stock market and shows the degree of their development. If international securities are traded between different investors on the secondary securities market within one country, they can simultaneously become a means of redistributing capital within the country [5].

In their research, J. Ataniyazov and S. Narimonov reviewed the analysis of bonds issued by companies that have introduced listing requirements [6].

Also, U. Yuldasheva, S. Narimonov and Sh. Bolibekov studied the tax base of companies that meet the requirements for listing on the stock market [7].

B.Ochilov in his researchs noted that in the context of increasing modernization processes, it is appropriate for the state's medium-and long-term investment strategy to focus on solving "to maintain high and stable rates of economic growth, it is necessary to form a stable and competitive model of the country's economy, in which most of the assets of the banking system are in the hands of private investors" [8].

3. Research Methodology

In this article, comparison, synthesis, logical and comparative analysis of research, economic analysis, deduction, calculation of quantity and quality indicators, statistical processing method by comparing them with each other, and scientific abstraction are discussed in this article.

The main information base for the research is the materials of Agency of statistics under the President of the Republic of Uzbekistan [9] and the site investopedia.com [10] and reports of the Republican Stock Exchange "Tashkent" [11].

4. Analysis and Discussion of Results

Due to the extremely small sample of factors under study (five points), the use of methods of statistical analysis of time series is impossible in this work; in addition, some parameters of the processes under study can only be described by qualitative indicators. Therefore, this study carried out a meaningful analysis of changes and a comparative analysis of some parameters.

Listing is a procedure for placing securities on the stock exchange and a type of control of access to the stock market for issuers (joint stock companies, banks). Listing requirements indicate the procedure for inclusion of securities by joint stock companies on the stock exchange.

Any company wishing to become a participant in the exchange as an issuer, including through an IPO, must go through this procedure. During listing, a special commission evaluates the company on various indicators and decides on the issue of its securities on the stock market.

This procedure allows access to the exchange only to those participants who meet the following requirements:

- financial indicators,
- liquidity level,
- risks.

Listing has a number of defining features. First, only marketable securities can undergo these listing procedures on the stock exchange. In addition, the listing mechanism itself is aimed primarily at protecting investors from various types of fraud - through the disclosure of publicly available reliable information. In a number of countries, listing is the basis for certain tax benefits for issuers; in addition, it is easier for these issuers to gain the trust of banks and other credit institutions when the need for loans arises [12].

Securities of companies are issued by listing on a stock exchange. This will increase the level of confidence of current investors, and will also create the opportunity to sell securities to a new, wider circle. Raising funds through the sale of securities as an alternative method of financing allows you to grow your business faster. Along with the increase in demand for assets, the volume of capitalization also increases.

Although every company is different, the basic requirements for access control are the same.

The list of stocks and bonds is slightly different, but in both cases the exchange pays great attention to the size and financial performance of the organization, the transparency of its documents and business, time of existence and compliance with legislation.

- Basic requirements for issuers:
- issues securities in accordance with the laws of the issuing country;
- fully disclose reports;
- provides information about financial losses;
- meets operating conditions;
- issues a certain number of securities.

The essence of listing is that the exchange helps the investor assess the level of risk when purchasing a particular security. The stock exchange engages in activities similar to those of credit rating agencies. Securities with the highest ratings mean that there will be no default in the near future. On the contrary, JSCs with low ratings reflect doubts about their ability to fulfill their obligations.

Being on the first quotation list means that the issuer is more reliable than issuers from other lists. Because this JSC meets the highest requirements. For the exchange, of course, such indicators as liquidity, how often transactions with securities of a particular issuer are carried out, as well as the number of shares of the issuer in free circulation are considered important. The first quotation list contains the most liquid stocks or companies, known as blue chips. Blue chips are shares of the most popular companies among investors with large capitalization and high liquidity. They are easy to buy and sell in large quantities at market prices. Blue chips are not a strict term, but a slang phrase representing the informal name of the largest and most famous companies.

Listing is also a one-time process. An issuer on any list must strive to maintain compliance with standards and requirements. This indicates that the issuer is interested in being included in a certain list and is committed to long-term relationships with investors, including minority shareholders. In other words, both the issuer and the exchange try to value their reputation. When placing a particular stock on the quotation list, the stock exchange waits for the decision of management and the board of directors.

When the market situation changes and a company begins to lose competition, investors are the first to react to the situation: as fear for the future grows, the desire to enter into transactions with the shares of such a company disappears, or the investor begins to sell assets in his portfolio. As a result, trading volumes decrease, and the exchange decides to delist the shares. Otherwise, an increase in investor interest is reflected in an increase in trading volume and capitalization, and as a result, the exchange makes a decision to include a security in one or another list.

In international practice, there are such types of stock listings as IPO, SPO, DLP, SPAC, cross-listing and depository [5].

The most popular from the list is IPO (Initial public offering), when a company goes public for the first time in order to raise funds for its development, for which it issues new shares. As a result, the shares of former shareholders will be directed to the benefit of the new owners, and money will be raised for the development of the company. It is for this reason that IPOs are important to investors, regulators and minority investors.

The manager of the joint stock company carries out all the work on preparing and conducting the IPO under the guidance of the underwriters. Underwriters are specialists from well-known international investment banks with relevant experience, whose reputation and level of trust are very important. Because underwriters are the ones who provide shareholders with information about investors. Underwriters are needed by the issuer for the following purposes:

- Elimination of deficiencies in documentation and reporting;
- Ensuring transparency of company management;
- Search for investors for the company;
- Assessment of future financial risks;
- Providing analytical support;
- Preparation and distribution of issues.

Therefore, the more reputable the underwriter, the higher the likelihood of the issuer's placement. The underwriter often acts as a market maker - supporting trading in the early stages.

IPO is one of the most expensive listing procedures. Because it involves complex preparation steps. All of the company's business processes are implemented in such a way as to ensure compliance with the strictest corporate governance practices. The company must have IFRS reporting for a certain period, all internal and external disputes must be resolved.

Underwriters help prepare an application to be sent to the regulator and the exchange. Another document is the investment prospectus, which the underwriters send directly to investors, developed by the joint-stock company. In this prospectus, the IPO organizers address directly potential investors with information about the company's activities and its history, shareholders, financial and operational performance, as well as the company's development forecasts for the near future. An important section of the prospectus is the list of potential risks. In this section, the organizers describe all possible risks for the company's development and its ability to generate cash flow. It must reflect possible risks, even those risks that are insignificant or tend to zero.

Finally, an important part of the listing involves meeting in person with a number of potential investors.

This is called a road-shaw, during which investors receive answers to their questions, and the issuer itself, based on the results of interaction with investors, often enters the initial configuration of the IPO, including the volume and price of the offering, and changes in accordance with their proposals.

Table 1 10 Biggest Global IPOs of All Time [10]

№	Company name	Field of activity	IPO period	Amount of capital raised
1	Saudi Aramco	Energy	05.12.2019	25,6 trillion dollar
2	Alibaba	Technologies	18.09.2014	21,8 trillion dollar
3	Softbank	Communication	10.12.2018	21,3 trillion dollar
4	NTT Mobile Communication Network	Communication	12.10.1998	18,1 trillion dollar
5	Visa	Financial services, technology	18.03.2008	17,4 trillion dollar
6	AIA Group	Financial services	21.10.2010	17,8 trillion dollar
7	Enel SPA	Energy	01.11.1999	16,4 trillion dollar
8	Meta (Facebook)	Technologies	17.05.2012	16 trillion dollar
9	GM	Automobile	17.11.2010	15,8 trillion dollar
10	ICBC	Financial services	20.10.2006	14 trillion dollar

The IPO will also have the opportunity to redistribute capital between countries. Table 1 shows the 10 most expensive IPOs in the world.

From the data in the table above, we can see that 3 of the 10 largest IPOs in the world are from financial services companies, and companies operating in the communication, technology and energy sectors have had two large IPOs.

Some time after the JSC's IPO, shareholders decide on an SPO (secondary public offering) of shares. Often, SPOs are carried out in the interests of a narrow group of investors or even one strategic investor. Logically, an SPO is a cheaper procedure since most of the work will be done during the IPO.

DLP (Direct Listing Process) is a cheaper type of listing than SPO. Unlike an IPO, with a DLP, shareholders sell their own shares rather than new shares, and the number of intermediaries is minimized. In the DLP process, no new capital is raised—shareholders essentially share part of the existing business with new investors or exit it entirely. In this case, it is most often said that the shareholders received cash. In the case of DLP, there are a number of requirements specific to an IPO. For example, there is no moratorium on the sale of securities by underwriters for a specified period.

A SPAC (special purpose acquisition company) or quasi-placing is a special type of listing with few caveats. A SPAC is a company with zero assets that registers and raises funds from investors for future acquisitions. Of course, for investors to trust such a "zero" company, it must be managed by a well-known and experienced person. The purpose of a SPAC is to find a potential private company to acquire. The SPAC shares are then exchanged for shares of the private company under certain conditions.

Cross listing is a type of listing in which shares are listed simultaneously or sequentially on multiple exchanges.

Shareholders of the depositary register will receive not the shares themselves, but their receipt guaranteed by a specially authorized international depositary bank. One receipt can be equal to several shares (fractional shares). In this case, the depositary can buy the shares entirely and sell the shares to other investors.

It is incorrect to classify the securities of third-rate companies as low-quality. Not all issuers want to spend time and money anonymizing information in order to get listed. Therefore, it is not always correct to evaluate assets only by entering a certain level. Any exchange develops its own methodology for establishing listing requirements.

Table 2

Share of joint-stock companies registered on the stock market as part of joint-stock companies in 2018-2022 [9,11]

Years	Total number of joint-stock companies	Number of registered joint-stock companies	JSC share in total
2018	609	47	7,72
2019	602	59	9,80
2020	648	80	12,35
2021	627	91	14,51
2022	629	111	17,64

In the practice of our country, listing requirements are represented by 3 types (premium, standard and transit). If we look at the share of joint-stock companies in the stock market in our country compared to the total number of joint-stock companies, we can notice that even 20% of the total number of joint-stock companies are not listed in the stock market (Table 2).

From the data in the table above, it is clear that the number of joint stock companies that organize trading of their securities on the stock market is less than one fifth of the total number of joint stock companies. Of course, this is a very sad situation, because the basis for trading securities on the stock market is made up of joint-stock companies. In 2018, the total number of joint-stock companies was 609, of which only 47 operate on the stock market. The most important aspect is that the number of joint stock companies registered on the stock market is growing year by year. In 2018, the rate was 7.72 percent, and by the end of 2022 it reached 17.64 percent, with the highest rate observed this year. In the table above, we see that the reforms carried out in our country in recent years are effective, that is, in 2022, the total number of joint-stock companies has increased significantly compared to recent years, and the number registered on the stock market is also increasing.

5. Conclusions and Suggestions

It is advisable to use the opportunities of the stock market to increase the competitiveness of the national economy and passive income of the population. It should be noted that by expanding the operation of the stock market in the country, the following advantages can be achieved:

- the process of centralization and concentration of capital and production among joint-stock companies occurs faster;
- depending on the size of the markets, there is scope for increasing production;
- it will be possible to solve social issues in cooperation;

- there is increased competition between joint-stock companies, which affects the production of higher quality products;
- acceleration of economic growth is achieved;
- favorable conditions are created in international trade relations;
- ensures widespread dissemination and implementation of new technologies.

In the development of our national economy, attention should be paid to the following aspects of expanding the stock market of our country:

- the development of the stock market helps to increase sources of passive income for the population;
- alternative sources of financing investment projects will appear in our country (crowdfunding, business angels);
- causes an increase in the level of internal debt in the structure of public debt;
- the flow of foreign investment will be directed to our country;
- helps manufacturing enterprises have relatively cheap capital;
- increases financial literacy of the population;
- an increase in the number of minority investors using foreign experience will stimulate the acceleration of the turnover of funds and the financing of investment projects.

One of the main strategic goals of any country is to ensure a high level of economic growth, as this leads to an increase in the standard of living of the population. In addition, each country has developed and implemented a number of measures to reduce poverty and increase national income. Thus, achieving economic growth requires governments to judiciously implement various measures such as encouraging savings, investment and increasing domestic production. Undoubtedly, an increase in the flow of investment will stimulate economic growth, but without implementing measures to increase the amount of savings, there is no possibility of investment.

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