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The role of securities market in economic development

Famil Suleymanli

UNEC SABA

Azerbaijan State University of Economics



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Abstract

Graduation work consists of three chapters, and conclusions and suggestions on this topic. The first chapter deals with the essence, necessity, role, functions, structure, participants, and features of the stock market in general. In the second chapter, the content of the securities, including the types of transactions, the need for market regulation, the forms of regulation, etc. it summarizes such information. The third chapter provides information on the state of the securities market in our country, its development trends, the formation and development of the market in our country.

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INTRODUCTION

Formation of the financial market is possible with economic and legal reforms and creation of market infrastructure. The emergence of a mechanism that ensures the conversion of savings into investment at a time when investment and investment is carried out by different individuals becomes a matter of urgency. The financial market and its elements make it possible to effectively redistribute capital resources between subjects of economic activity by performing this task. In the context of current reforms, the development and improvement of all segments of the financial market plays an important role. This is due to the fact that the financial market plays an important role in the revival of the real sector as a cash flow transit in the economy in parallel with the banking system. In particular, the existence of the problem of directing oil revenues in the oil sector to other sectors creates special importance for the development of the country's financial market. Successful formation of the financial market is possible through the establishment of market infrastructure through economic and legal reforms. One of the most important segments of the market infrastructure created is the securities market. The securities market is one of the most important options, along with the state budget and the banking system. It encourages the mobilization of the market capital and provides the redistribution of financial resources between the various sectors and spheres of the economy in favorable and profitable ways, in favor of dynamically developing production.

One of the major challenges facing the economy in the market economy and in transition economies is that of solving the problem of mutual debt problems as well as between the companies. Because the existence of a mutual debt problem, along with it, creates new problems. The enterprise can not pay taxes, because buyers do not pay their debts for their goods. The state, in its turn, can not fulfill its budget plan due to a lack of tax revenues, and state aid to some sectors of the economy is delayed or generally not supported. All of this, in general, affects economic life, and the state

loses its power over economic, political or other spheres. Relevant measures are being taken in the state and business circles on possible ways of solving these problems in modern times. The government considers the development of the securities market to be more appropriate for the solution of these problems.

Therefore, the formation of this market not only affects the solution of those problems existing in the country that have a significant impact on the development of the economy, but also allows economic subjects to be more interested in economic activity and attract more productive business activity.

Despite the fact that the securities market is so popular in the modern world and large-scale reforms are made by the state, there is still a lack of information in our country. Taking these into account, the main purpose of the writing work is to study and analyze the essence and main points of this field, to define its development directions and to study the features of the formation of the securities market in our country and to explain its role in the economy.

1. Chapter. The essence and role of the securities market.

1.1. The essence, functions and structure of the securities market.

In order to understand the essence and content of the securities market, it is important to understand the essence of securities. Because the main tools of this market are securities. From this point of view in the Republic of our country a lot of normative-legal acts have been defined in the field of securities. Thus, in the Law of the Republic of Azerbaijan "On Securities", dated July 14, 1998, the securities are described as follows: "Securities have their ownership and non-property rights and the possibility of granting these rights form and mandatory requisites."

In the Housing Code of our country (Section 1, 2000, LIV chapter, article 987), "Securities are any kind of document certifying compliance with the established form, which can be exercised without this document or transferred to another person . When the penalty is transferred to someone else, all rights granted by it are also passed. "

There are different types of gemstones. Bonds, stocks, promissory notes, checks, deposit certificates, options, futures, etc. Examples of securities are examples. Our legislation distinguishes securities into two parts, both emission and non-emission securities ("Securities Act", chapter I). Emissive Securities - Securities that are placed in issue and whose securities have the same volume and duration of one issue, regardless of the time of their purchase. These include shares and bonds. Non-emissive securities - Securities that are not placed on bonds and are subject to disclosure of securities, with varying amounts and duration. These include promissory notes, checks, options, bills, etc. It concerns. In addition, securities are in the form of commercial securities (coupon, promissory notes, warehouse certificates, mortgages, etc.) and stock market securities, which serve the commodity turnover process and certain property transactions. Despite this diversity, their fundamental qualities are the same for all securities: 2. Likeness; 3. Risk.

The circulation of securities is the ability to act as an independent means of treating it on the market, as well as facilitating the circulation of other commodities. Liquidity is the ability of the securities holder to buy and sell at a slight change in market prices and less sales costs without great losses. The risk is likely to result in losses due to the market conjugation, which is related to investments in securities and is essential to them. It should be noted that as their securities profitability increases, their risk levels are also increasing.

1. government securities; 2. Bonds of companies; 3-stocks; 4-derivative securities.

Transactions and liquidity of securities clearly indicate that securities are a special commodity and therefore have their own market. This market's unique organization, participants, rules, rules of conduct, etc. available. Securities market is one of the key elements of the effective functioning of the financial market, and is an area where the flow of funds is actively operated and invests in different sectors of the economy.

Depending on the validity period of the securities, the financial market is divided into the equity market where the short-term securities include long-term securities and long-term securities. That is to say, the giant securities market acts as money and capital market.

The Civil Code of the Republic of Azerbaijan stipulates that the legal and natural persons involved in the issue of emission, issue, circulation, payment, possession, maintenance, dealing with them, economic relationships (Article 992-1). The purpose of the market is to mobilize free financial resources and to redistribute them through a variety of transactions that the market participant has invested in securities. The existence of this market is important for all market-oriented economies. Securities market actively promotes commodity and money circulation. On the other hand, issuance and placement of securities are an effective way of mobilizing free cash and directing them to socio-economic development. As a result, the turnover of temporarily free cash flows is strengthening, there are favorable conditions for investment in the country, which leads to economic growth. The prerequisite for the formation of this market is that it controls the operations of issuers, investors, the developed regulatory and regulatory framework regulating the movement and infrastructure of securities and securities transactions.

During the temporarily free cash flow, mediators in the market accelerate this process. However, sometimes appealing to mediators increases capital expenditure. If the borrower has an opportunity to apply to the lender directly, this will reduce the cost of attracted resources. This creates conditions for securitization of the financial market. At this time, minority assets are converted into securities. Securities provide cheap and fast attracting funds. For example, the entity needs financial resources. This can sometimes be applied to the bank for a loan or may issue a bond. In the first case, the bank acts as a mediator and receives remuneration for its services. In the second case, the entity sells the bonds directly to the investor, which reduces the costs of attracting.

The role of the securities market in the economy is related to a number of factors. First, as we say, this market is a cheap source of attracted resources. Secondly, securities enable the transformation of non-performing assets into circulating financial assets. Examples are mortgages and guaranteed bond issue.

Transformation of non-performing assets into circulating securities.

In this scheme, the bank grants to legal entities a loan contract based on a mortgage. Thus, the bank has financial assets, but if these contracts are deposited in the bank, the assets are processed. In recent years, banks have included these contracts in pledges and issue mortgages, which are considered to be reliable securities, as collateral. The bank pays them a low interest because they are reliable. This is profitable for the bank, because the bank receives cheap financial resources from their sale.

Thirdly, securities provide investors with the convenience of investing funds: the investor places 15% annual interest on the bank deposit for one year. If the investor wants to withdraw its funds after 6 months, it has to terminate the transaction

with the bank. The bank does not pay interest rates, or puts it at the level of penalties until demand is met. Thus, the investor withdraws his money with financial losses. If the investor has invested funds in receipt of bonds, it will be easier for him to recover the bonds without showing the closing date. For this, he can sell bonds on the second market. At the same time, the buyer pays not only the value of the bond but also the interest accumulated during the period of ownership.

The securities market has certain responsibilities when delivering temporarily free funds from investors to issuers. These duties include:

- 1 mobilization of temporarily free funds for investments;
- 2Formation of market infrastructure meeting world standards;
- 3development of the second securities market;
- 4Transformation of property relations;
- 5Improvement of the market mechanism and management system;
- 6Ensuring real control over stock capital and reducing investment risk based on state regulation;
- 7Formation of portfolio strategies;
- 8development of the system of hypocrisy;
9. Forecasting perspective directions of development.

The stock market performs the following basic functions:

1. The Reflection function refers to the redistribution of cash between equity, population and state through fields and regions through the circulation of securities. This function is a re-allocation of funds between different sectors and spheres; the transfer of resources from the non-production form to the production form, and the three parts, such as the state budget deficit, with the exception of additional cash flows into circulation.
2. Regulation function - regulation of various processes and relationships through specific stock transactions. For example, trading with securities the volume of money circulation circulated through the Bank is regulated.
3. Malware risk insurance function. This function ensures the capitalization and increase of capital. Implementation of this function occurs when a derivative class of securities, such as futures and options is related.
4. The accounting function is specific to all types of securities traded on the market in the list, is in the registrar's registration, in the bases registration, as well as purchase, sale, pledge, trust, conversion and so on. Contracts in the registration of cleared stock transactions.
5. The informational function comes from the accounting function of the securities market, in the market generates information about trading objects and subjects and to the participants.
6. Supervision function. Follow the legislation by market participants which implies the implementation of control.
7. The function of balancing the demand. This means balancing the demand and demand through securities transactions in the stock market.

Securities market is an important organizational-legal system with complex operating technology. The structure of this market consists of:

- 1) The subject of trading: securities and their derivatives.
- 2) Professional participants.
- 3) Regulatory system.

The components of the securities market are classified by different types. The basis of the market is that of trading methods. First of all, securities can be divided into national, regional and international markets for their geographical features. The stock market can be classified by type of securities: stock market, bond market, derivative securities market and so on. In the structure of this market, there are 5 varieties (scheme No. 3) differentiated:

a) Primary and secondary (second) market. In the initial market, securities are traded for the first time with their acceptance rules and requirements, and are first purchased by buyers in the first phase of the acquisition process. Here are the initial placement of securities issued by corporations, central government and municipalities. The market price of newly issued securities is determined, the investment risk is assessed, the state registration of issue and issuance registration of results and their maintenance. Primary market functions are as follows:

1. issuance of securities;
2. their placement;
3. maintaining securities;
4. Ensuring balance between supply and demand.

In the secondary market, the previously issued securities are in circulation, and during the entire term of the securities validity they change their ownership in the sale or other transfer rumors. The purpose of this market is to make sure that the laws for the purchase and sale of securities is created. The function of the secondary market involves the acquisition of vendors and buyers at the retail level of sales (this process takes place at the wholesale level during initial placement) and balancing demand and supply at a certain price level. The main objective of this market is to redistribute capital to the best production areas and to attract investments for the development of economic entities. Within the second market, the following four levels are distinguished:

1 The first-rate stock market. Securities registered on the stock exchange and listed on the stock exchange are here;

2 transactions with unsecured securities at the second level

the exchange market is held;

3 Exchange marketed securities exchanged through stock exchanges through third-party intermediaries and high fees;

4 Through computer networks that combine fourth-party trade intermediaries is a computerized market where it is being held. With the help of such a system, the investor receives great savings in commissions and reduces the risk of stock market instability.

b) Organized and unorganized market. Securities traded in the organized securities market among market participants, their other market with their guarantees

Participants - strict rules by professional licensors based on a In non-organized markets, there is no requirement that market participants comply with single rules.

c) Stock market and exchange market. The stock market is all in organized stock exchanges provided that stock market rules are strictly chosen among market participants among market participants, and the exchange market outside the stock exchange

trades in securities.

d) Traditional and computerized market. Traditional securities market is traditionally traded as it appears on the market .In the computerized market, the unit combining trade fund members computer network. New computerized markets act as distributed electronic commodity exchanges. In exchange markets, stock exchange trading can be traditionally carried out not only by phone, but also by special computer systems. The largest scale of such systems is the Automated Assessment System of the National Securities Dealers Association (NASDAQ), which has been operating in the United States since 1971. It is a complex and broad electronic network covering the entire country, allowing its subscribers to sign transactions directly from their workplace through multiple terminals. Additionally, a large market-based transaction has already been created through a computerized system, without a direct intermediary. Examples include electronic trading systems such as INSTINET, POSIT, and Crossing Network.

e) Cash and Term. Transactions on the cashier's securities market are executed within 1-2 working days, or if the buyer needs immediate purchase of securities, he / she use the market. Deals with more than 2 days are held on the securities market. It covers the period up to 3 months. Transactions on this market are carried out either in the middle of the month or at the end of the month (per-ultimo).

1.2. Participants of the securities market.

According to the Civil Code of 2000 (Article 992-1.2.) Of the Republic of Azerbaijan, the securities market participants are persons who are the subject or party

engaged in the issue, circulation, payment, possession, maintenance of securities, conducting securities transactions, regulators of securities market participants, state and non-profit organizations that carry out regulation. The professional participants of the stock market are persons acting on the basis of legislation on the basis of special consent on the securities market.

The composition of the stock market participants (buyers, sellers and agents) is as follows:

1 issuers; 2 Investors; 3 Brokers, dealers; 4 organizations specializing in accounting, storage, and transaction with securities; 5 government agencies regulating the securities market; 6 Self-regulatory organizations (associations and associations of investment institutions). Issuer as indicated in the Securities Act (14 July 1998) exercise rights granted to them in the face of the securities holder is a legal entity, a body of executive power or municipalities that undertakes obligations on its own behalf. In this section, various legal entities can act.

As a rule, issuers are participants of the primary securities market. In the stock market, the issuer evaluates the securities issued by the issuer for its investment qualities. Leadership in the issuer is always maintained by the government. Because the government's securities emitted risk equals zero. Leading banks are among the issuers of cooperative securities. This is explained by the fact that the banking business is even profitable in times of crisis. In general, the main players in the stock market are commercial banks. In many countries the revenues from the operations carried out by the banks and the investment activity play a major role in the formation of their profits. Commercial banks can act as emitters, intermediaries and investors in the market. When you act as an emitter, they issue securities (Chapter II, question I) according to the legislation. They can act as a non-licensed mediator (if their

brokerage activities are included in their charter). Commercial banks must have the consent of the central bank of the state for dealer activities.

Investor is a person who owns securities (Civil Code, Article 992-1.15) .The effective functioning of the stock market depends on the investors directly from the securities buyers. The basis of the stock market is only in the case of investor interests. Practically, investors can be divided into 3 categories: risky, moderate and conservative investors. The risky investor is able to earn maximum profit in a short period of time, from the investment portfolio. The conservative investor holds the securities portfolio on a long-term perspective. The moderate investor tries to create a portfolio of overlapping securities with a level of income.

One of the main goals of investors is not only to receive dividends from their shares, but also to have influence over the activities of the stock society. This can be done either by managing the board of directors or by taking stock of shares control. Investors are eager to have at least 25 percent of the stock market shares.

Institutional investors include insurance companies, pension funds, pension funds and other purpose funds. These are the activities of these organizations that have large and long-term freely available resources.

Brokers are stock market participants acting on behalf of and on behalf of their clients. Brokers also engage in advisory activities. They also provide advisory services for the placement of securities on the secondary market. Brokers carry out their activities as a professional participant by special licenses.

Dealers buy securities in their own name and on their own accounts, and sell them again to investors. Under the Civil Code, brokers and dealers can only act as legal entities (Article 1078-29.1, 1078-30.1).

Government, stock companies, professionals in the securities market, various investment companies, commercial banks, stock markets and stores, other economic entities, as well as citizens may become participants in the second securities market. The most attractive among them are investment institutions. These institutions include: 1) Financial Brokers. 2) Investment Advisors. 3) Investment companies. 4) Investment funds.

Financial brokers are legal entities mediating in the market. They carry out the purchase and sale of securities at the expense of the customer or at the customer's instruction, and then perform the functions of the agent. The commission contract is concluded on behalf of the broker, and the contractual agreement is made on behalf of the customer. In any case, the broker acts in accordance with the client's expense and interests rather than at his own expense.

An investment advisor may be a legal or natural person who advises the issuance and circulation of securities. On the basis of its contract, there is a contractual agreement or a contract for the development of scientific and technical product. An investment advisor can perform a number of types of activities, such as: market analysis; legal advice; emission of securities preparation and organizational and methodological support; arrangement and accompaniment of issuance of junk securities; development of methodological, normative documents and relevant rules of operations on securities transactions; professional training; securities, etc. can be shown.

Investment company is a legal entity as a financial broker, but unlike it, the investment company is just a dealer. The investment company operates at the expense of the market, not at the client's expense. This company is an enterprise specializing in:

1 organization and guarantee of issuance of securities;

2 Free cash flows into securities;

3 Buying and selling securities as dealers.

Directions for attracting resources by investment companies include: 1) issuance of its shares and bonds; 2) bank loans and advances on securities for the formation of debt capital. The main directions of placement of attracted funds are the allocation of funds related to the initial issue of securities, the introduction of securities to the second market and the bank accounts.

Investors are also interested in the second market of newly issued securities. Therefore, the investment company keeps track of part of the issue for the purpose of actively trading in the second market, and thus it is one of the creators of the market

- acting as market maker.

Investment funds are also dealers. Their main activity is to leave their shares and put the resources mobilized in this way in the form of interest-bearing and interest-bearing securities. The Law of the Republic of Azerbaijan "On Investment Funds" (30.11.1999) states that "the investment fund - the money attracted through the issuance and placement of securities ,is an open-type joint-stock company that invests in securities and has a diversified investment portfolio of securities trading activities. " The investment fund's resources have a special turnover. If the fund's resources are derived from the sale of securities, the placement of resources is linked to other issuers' securities and bank accounts. Thus, the investment fund incorporates them into a single mass and invests in large stocks. There are two types of funds available in the world practice: open and closed. The resources of an open-type

investment fund are formed only by the issuance of the fund's ordinary shares that can be traded. The Fund is obliged to repurchase its shares at the current market rate with the first demand of shareholders, is its shareholders. The volume of the fund is unchanged, it can be increased by the new share issue. Resources of a closed-type investment fund are formed by both ordinary and preference shares, and sometimes bonds. The issuance of shares is made only once, in a definite amount. Although investment funds and companies are similar, they are somewhat different there are also features.

In the world practice, there are various organizational forms of accounting for securities and their storage. But in any case, for all of them, these networks should provide the following:

1Settlement and clearing of stock transactions;

2 cash and non-cash securities, as well as unaccounted cash;

3Securities storage.

Civil Code of Conduct 992-1.16. , the organization that regulates the professional participants of the securities market is a non-governmental organization that operates on the voluntary, nonprofit principles of professional participants of the securities market. World practice shows that it is often necessary to apply restrictions on mergers. First, it is related to the protection and protection of investors when they start to act as a broker or dealer for the initial placement of securities, for example, from large risks, such as investment funds. Secondly, it is important to minimize the likelihood of conflict of interests of various investment institutions and the possibility of creating an unethical situation when, for example, the same legal entity acts as a dealer or a broker. Thirdly, at the stage when the securities market begins to develop, the restriction is essential for creating the conditions for the specialization of the

investment institutions in the market. In our Republic this issue is considered in the SCS as of February 2, 2000, "Requirements of legal entities and physical persons engaged in professional activity in the securities market at the same time as the types of professional activity".

The Ministry of Finance, the National Bank and the SCS, according to the government agencies regulating the securities market (more detail in Chapter II).

1.3. Stock Exchange, its organizational features and management.

As we have noted, the stock exchange is the first level of the securities market and is organized in a organized manner. The stock market has become one of the commodity exchanges that existed in the XVI-XVII centuries, and then developed and began to function independently. The first independent stock exchange is a stock exchange founded in Amsterdam in 1611.

The stock exchange is a professional activity in establishing the necessary conditions for the closure of deals with securities, identifying their market prices, dissemination of necessary information about them (Civil Code, article 992-1.14). Most stock exchange is a private market, which is traded on a high-quality stock market and is traded by professional participants of the securities market. Its main task is mobilization of financial resources, liquidity of financial investments and regulation of the stock market. It is a system that identifies any kind of changes in the economy. He reacts to any displacement from the balance between demand and supply. The stock market ensures the continuity, liquidity and regulation of the market, the identification of prices, and market conjuncture. During the transactions with securities in this market, their exchange rates are formed. The exchange rates formed here serve as a benchmark for capital gains and capital appreciation, which

allows evaluating the overall financial and economic situation of the country's economic entities in the current situation in the stock market.

The stock index is the most important of the means used by the stock exchanges to provide statistical information on the national economy and its situation and dynamics in individual fields. The indexes are calculated based on the rate of exchange and are used to designate a change in a group of related indices. Most of these indexes on the world are Standard & Poors 5000, Dow Jones and the New York Stock Exchange Index and the NASDAQ index on the stock exchange market.

The main signs of the classical stock market are: 1 stock market is a centralized market with a specific location, ie a trading platform; 2 There is a procedure for selecting more qualitative securities that meet certain market requirements. These requirements include financial sustainability, massiveness of precious metals as a single and standard commodity, the mass of the offer, the precision hesitation of the trafficking, etc. applies; 3 The procedure for the selection of the best operators in the market as members of the Exchange and availability of time schedule of trading with securities; 4 centralization of contract registration and settlement; 5 Putting official stock quotes and controlling stock exchange members.

There are 3 types of stock exchanges in the world practice: Public-legal exchanges are always under state control. The state participates in the drafting of commodity trading laws and monitors their implementation, ensures that the stock market is traded at the time of trade, appoints stockbrokers and dismisses them. These types of exchanges can be found in Germany and France.

Special stock exchanges are created in the form of joint-stock companies and form a fully free exchange trading. This does not mean that the stock market is out of control of the state. The government does not take any guarantees for the exchange

trade. All agreements here are within the law. Such commodities are characteristic for England and the United States.

Mixed exchanges. If the stock market is created in the form of joint-stock company and is owned by the state not less than 50% of its capital, then such exchanges are called mixed exchanges. The stock exchange commissioner oversees the activities of such exchanges and officially registers exchange rates (Austria, Sweden, and Switzerland).

The stock exchange performs several functions, which include:

1. Mobilize personal savings and turn them into long-term capital investments through securities transactions. It provides the required liquidity of securities and enables long-term savings to be extended to long-term financing.
2. Assessment, registration of securities circulating on the stock exchange and publication in exchange bulletin.
3. Accelerate capitalization of capital by forming a controlling shareholding.
4. Distribution of information about financial instruments and commodities, their value and rules of conduct.
5. Rule and draft laws.

The traditional distinguishing feature of the stock market activity is its non-profit character. Exchanges are exempt from corporate income tax. Revenues of stock exchanges are formed from different sources. Key sources of income: as intermediary on the stock exchange the duty collected from the companies performing the order; payments made by issuers because they are listed on stock exchange listing; reimbursement of new members of the stock exchange, annual and purposeful

payments of exchange members; payments to cover current losses or to create necessary reserves.

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- 1 realization of exchange management and exchange trading;
- 2 identifying the goals and objectives of the exchange;
- 3 development of stock market development strategy;
- 4 acceptance and alteration of exchangeable nomenclature documents;
- 5 Attention of selected organs;
- 6 Decision on termination of exchange activity, etc.

Since the General Meeting is called once a year, the Exchange Board of Directors will be set up for operational management of the exchange. It monitors the current activity of the stock exchange, solving the issues beyond the scope of the General Meeting. These matters include:

- 1 review and evaluation of management reports;
- 2 Changes to trading rules on the stock exchange;
- 3 determining the amount of all payments;
- 4 adoption of a decision on acceptance or withdrawal of new members of the stock exchange;
- 5 to manage stock trading and so on.

The Exchange's managing body is the Board of Directors or the Board of Directors. The Board elects the stock exchange president, who is the chief executive officer of the stock exchange.

In general, the internal structure of the stock exchange may include these bodies: the valuation commission; settlement chamber; registration commission; information and analytical service; foreign relations department; consulting division; technical support department; administrative and economic department; arbitration commission.

Participants of the Stock Exchange may participate in the formation of its charter capital, pay membership fees, participate in the stock exchange as a shareholder and determine the rules and regulations of the Stock Exchange. The members of the exchange are divided into two groups: a) transactions made at own or customer's expense; b) transactions only at their own expense. The number of members depends on the size of the charter capital, the nominal value of one share and the number of shares that a member can own. The Exchange gives its members the following advantages:

- 1 to engage in the general assembly and management of the stock market;
- 2 select and be elected to the management and supervisory authorities;
- 3 to use the stock of property, information and services provided there, to trade as an intermediary in the stock exchange.

An important place in the stock market is the spreadsheet called "ticker". The table is one of the mandatory attributes of the stock market. The table shows the volume and price of each transaction concluded during the day on the stock exchange, the names of the issuer companies and the change in their shares' stocks. 5 percent exchange rate for major companies' shares: 1) Opening rate; 2) Daily minimum rate; 3) Maximum exchange rate per day; 3) Current exchange rate; 4) Single exchange rate.

The only stock exchange in our Republic is the Baku Stock Exchange (BSE) established in 2000. More about BSE about Chapter III.

World-renowned stock exchanges are the stock markets of US, Europe and Japan, where about 90% of the financial market is concentrated. The world's largest stock exchange is the New York Stock Exchange, which was established in 1792. This stock exchange is a non-profit corporation. With 24 of the Stock Exchange being selected The Board of Directors consists of 27 members. Members of this stock can only be individuals. The stock exchange currently has 1366 members. In addition, there are 2800 companies listed on the stock exchange (450 are foreign companies), 400 brokerage firms, close to 12,000 corporate investors, 52 million. an individual investor operates. It should be noted only that 80mln. American's income is generated from dividends deposited on the NFB. In 2007, the initial placement of shares was 52bn. The dollar's capitalization in July 2007 was \$ 20.692 trillion. Dollars.

Another major stock exchange is the London Stock Exchange, established in 1773. This stock market is competing with the New York and Tokyo stock exchanges. About 75-85% of the deals are traded on the stock exchange within the Stock Exchange quantation (SEAQ). To be sold in this system, the securities must have at least 2 marketers. Market maker is an investment entity that must determine the price of assets during the business day, which is traded in the amount determined by the stock exchange for the last 12 months depending on the turnover per share. Unlike the New York Stock Exchange, members of this stock may also be legal entities. The number of its members is more than 5000. There are 2500 companies in the listing, of which more than 2000 are local companies. However, 40% of the stock turnover accounts for the shares of foreign issuers. In 2007, the initial placement of shares amounted to \$ 46 billion. Dollar . The stock market capitalization in July amounted to 4.023 trillion. Dollar .

The other major European stock exchanges are the Frankfurt Stock Exchange. The stock market has been operating since 1993 as a non-profit company. The stock market comprises 75% of the share and bonds in the country. In 2007 its trade turnover was 1.915 trillion dollars, in July of the same year the amount of capitalization was \$ 1.973 trillion.

Founded in 1878, the Tokyo Stock Exchange is one of the top three in the world stock exchange listing. This stock exchange can be compared only to New York and London stock exchanges. In Japan, 80% of the stock market turns into this stock market. 1517 joint-stock companies are involved in the exchange. Over 2500 companies have been registered in the listing. The number of members with administrative authority is 124. Of these, 123 are permanent members, and 1 are the websites represented by their employees on the stock exchange. Standing members carry out brokerage operations and sat rains carry out mediation functions among permanent members. It is forbidden to conduct operations on their accounts. The stock market capitalization is 4.679 trillion. Dollars.

2 Chapter . Transactions in the securities market and market regulation.

2.1. Features and types of transactions in the securities market.

As we have mentioned, the securities market is a set of legal and economic relations between the subjects on issuing, issuing, circulating, repaying, holding, holding, maintaining, dealing with other transactions. Regardless of the type of transactions, all of them ultimately result in the sale or purchase of securities. According to the Civil Code of the Republic and the Law on Securities, the following types of professional activity can be carried out on the securities market:

1 Broker activity;

- 2 dealer activity;
- 3 securities management activities;
- 4 activities on identifying mutual obligations;
- 5 depository activities;
- 6 Activities on registering securities holders;
- 7 Activity on trading in the securities market.

Various transactions are carried out in connection with the types of activities in the securities market. In the primary securities market, the issuance (emission) of securities, their placement and accounting operations are carried out in accordance with its functions.

Securities are issued when joint-stock companies are established, when the amount of initial charter capital is increased by issuing shares, by legal entities, government agencies and local authorities when borrowing capital is issued by issuing bonds and other debt commitments. The emission consists of publishing an issue announcement, issue and publication of prospectus , registration of issuance, issuance of a blank and issuance of securities in cash. This process is:

- 1 Decision issuance of issuance of securities;
- 2 Registration of the issue;
- 3 registration of emission prospectus;
- 4 Securities placement stages.

The issuer obtains the right to issue securities from the moment of their state registration. The documents submitted for registration are as follows: application for registration; a copy of the decision to issue emission securities; emission prospectus; a copy of the constituent documents. The prospectus consists of 3 sections: 1) information about the issuer; 2) information on the issuer's financial status; 3) Information on securities placed. Information on the issuer is of great importance for investors, as it is of great importance for investors, this information constitutes an important part of the prospectus. Here the general information about the issuer - changes in its name, name and organizational-legal form, date and date of passage, place of residence, settlement account, its founders and so on. If the emitter is newly created, then its financial status is not disclosed. In the remaining cases, the prospectus in the prospectus is as follows:

- 1 The issuer's annual financial statements and financial results of its activity during the quarter preceding the decision on issuing securities and profit-sharing reports;
- 2 For credit organizations - making a decision on securities issuance the amount of overdue debts of the issuer bank to the creditors and budgetary payments at the time of issuance; report of economic indicators characterizing the bank's activities;
- 3 Information on the issuer's charter capital, the charter for banks report on capital adequacy;
- 4 Report on previous issue of securities.

The information on securities placed includes shares such as type of stock, volume of issue, amount of placed shares, face value of one share, rights granted by them.

As for securities placement, there are several ways to do this:

- 1) subscription to securities;
- 2) auction;
- 3) commercial competition;
- 4) investment bidding;
- 5) the indefinite yield of the favored stocks envelope to the members of the labor collective by drawing up the list of owners;
- 6) Conclusion of a contract with a

group of employees who have signed an agreement on the purchase of shares or an agreement on the insolvency of the enterprise.

The main purpose of a one-time auction is to determine the auction price, which is the same for all contract participants. This process is as follows (table # 2): the included applications are sorted and sorted by the decreasing sequence of purchase orders.

It is assumed that the investor agrees to buy the price at a price that he or she wants to buy. In fact, sellers only indicate the lower limit of the price they want to sell - they are willing to sell the shares at a higher price. Considering these, a single price can be determined by maximizing the application. This is the 44th example. 1400 sales applications will be sold at this price, with more than 1,600 purchasing applications remaining in the order book and remaining at the next auction.

It also envisages simultaneous registration of the sale and purchase price of long-term auction securities. At this time, the electronic board displays the minimum sales and maximum purchase price for each type of securities and the date when the final agreement is initiated. Brokers, by observing these prices, decide whether to buy or sell assets, or offer their own prices, reducing the difference between purchasing and selling prices called speeches. For example, buy 83, selling \$ 84. At that time, a broker who wishes to purchase an asset should choose one of the following options:

- 1 Buy them at \$ 84 because this is the best estimate for the current period;
- 2 If the price is predicted to drop, then go on;
- 3 Offering a higher price than the current purchase price, for example, \$ 83.5. This price will be the best in the market, and those who want to sell assets will first of all appeal to it.

After the initial market, the securities are re-entered on the market. Broad operations with securities are continuing on the stock market, which is an organized form of this market. Exchange operations include trading, listing and delisting of assets, option closing, forward and futures transactions, commodity evaluation, collateral, settlement, clearing, consulting, storage and delivery of securities. The main features of these operations are:

1. Operations are held in specific locations;
2. Commodities are traded with standard masses;
3. the commodity itself is held on its description when it is not on the stock exchange;
4. Permanent, transparent and free pricing;
5. Not regulated by the state;
6. Single rules, specified by laws and regulations of the stock exchange, by mediators.

The listing is included in the stock exchange's special valuation list. Securities included in the list are put on sale and each issuer strives to include its securities in this list as investors are more interested in listed securities. Deleting is a reflection of this process.

The quotation tells the stock market to determine prices in the stock market during each business day and publish them in the stock bulletin. During the valuation the prices of the seller and the buyer are announced. The bulletin contains the name of the issuer, the nominal value of the securities, the buyer, the seller and the closed prices, the volume of the sales, the final transaction date, the absolute and relative change of the deal price. Based on these prices, average prices for stock exchange deals are calculated and announced daily. This transaction acts as an intermediary in dealing with transactions, and also has a significant impact on market conjuncture.

Transactions in the securities market are divided into 2 groups, with cash and term. (Chapter I, question 1). Different types of futures, forward and options are widely spread. At the Fyuchers Agreement, two participants agree on the purchase

and sale of the goods in accordance with the contract at which the goods are quoted in the contract. When the transaction is closed, nothing is bought and sold. Simply, both parties commit themselves to buying and selling the asset.

Forward contracts (contracts) are a contract for the transfer of assets at a fixed price. When the transaction is closed, the quantity, quality and other parameters of the asset are agreed between the parties. This deal is close to the fate. However, there are some differences: Fyuçers deals can only be exchanged on the stock market, but the forward-looking market can also be exchanged; fyuçers are standardized for both the form and the content; all payments to the dealer are made available to the exchange and the exchange office that serves the exchange; Forex deals are concluded on any primary asset of the stock market, and the basis of the deal is the limited number of initial assets that are likely to be premature in price changes.

The transaction between the two parties is an agreement that gives one party the right to buy or sell the value of the specified security at the set time, respectively. The buyer (seller) pays a certain amount to the seller (buyer) to obtain this option. The option of buying is entitled "option call", and the right to sell is called "option put". The use of the option by the option holder depends on the changes in the course of the securities. For example, the buyer has purchased an option for buying A shares of 100 AZN at a rate of 45 AZN. Its duration is 3 months. Each shareholder paid 3 AZN for the buyer to get the option. If the stock price is 50 AZN during the execution of the transaction, the option holder will use his or her right and buy the shares at 45 AZN. Then, by selling the shares for 50 AZN, each share will earn 2 AZN: $50 - (45 + 3) = 2$ AZN

Transactions on term operations are divided into strict, conditional and extended types. Participants of a definite deal shall be liable for the delivery of the securities within a certain period of time (seller's liability) and the purchase (the

buyer's liability), and the terms may not be changed. During a bargain, one of the participants has the right to waive their obligations by paying a certain premium. Depending on the conditions of which participant and how to change the terms, the terms of the contract are distinguished from the original and outstanding prizes, stakes, and fully divisible types. The most common of these is stellar. During this transaction, it is not known who will be a seller or a buyer. One participant obtains the option by paying a certain amount of money to another. Unlike ordinary options, it allows its holder to purchase a certain amount of precious paper at a designated high exchange rate or sell at a lower rate. For example, one participant receives a stall option, which gives him the right to buy a share of shares at 90m or sell it for 70 AZN. The difference between these courses - 20 AZN is the size of the payment for the option. This fee is 20 AZN per share. The person who purchased the option will observe the changes in the shares of this company. Here are 70 and 90 AZN "stool points". If the stock of A shares in the stock market is hesitant, the option owner will lose 20 AZN per share. If the stock exchange rate is less than 70 AZN or more than 90, the option holder will use the right to sell or buy shares. If the stock market price is 50 AZN, the option owner will have to settle the costs incurred to buy the option by selling it to another participant (the option vendor) at 70 AZN. If the market course falls to 40 AZN, it will earn 10 AZN per share. Otherwise, if the course costs 110 AZN, the option holder will pay his or her own expenses by buying the stocks. If the course costs more than 100 AZN, it will be profitable.

The buyer applies to the initial premium deals, which hopes for a rise in the exchange rate, but who are skeptical about it, and who are causing great loss. For example, if a buyer earns 300 AZN on June 1, by paying 2% of the premium on June 15, and if the exchange rate drops to 292AZN on June 15, the buyer will get 8%. Lose , 6 AZN. $(300 \times 2\%)$ is more profitable.

Reverse prize transactions are the same as the original priced deals, but the right to refuse is the property of the merchant. If the stock exchange rate is 308 AZN on June 15, it would be better for the dealer to pay 8 AZN on the exchange rate of 6 AZN per share.

Fully divested deals give the buyer and seller the right to request that securities be sold or disposed of in loose amounts. The fixed exchange rate fluctuates to the buyer and the fall to the seller.

Extended deals are that the buyer or seller of the securities may delay the transaction or postpone the change, depending on the rate change. He hopes for a change of exchange rate that lets you cover losses.

The stock exchange operations are also carried out on the exchange, which is known in the types of reports and departments. These transactions are directly related to banks. That is, the report is an asset's current exchange rate with the condition that the asset is quoted on a day-to-day basis at a higher rate, and the department is rescheduled at a later date.

Another type of stock exchange transactions is arbitration. The essence of arbitration is to buy cheap and expensive.

The above-mentioned operations in the computerized market, which is the most advanced form of the stock market, are implemented through the computer system. All purchasing and selling prices on computer monitors are reflected in the names of the traders. Purchase and sale orders are subject to full notice (chapter I).

2.2. Securities market regulation.

Securities market regulation is the key component of market management. The regulation of the market is carried out in two ways, both internal and external. Internal

regulation embodies the subordination of any sector of the securities market to its own regulations, charters, other internal normative documents that determine the activities of the site and its separate units. Foreign regulation reflects the subordination of the state to the normative documents of the international treaties in the market.

In world practice, two models are used to regulate this market:

1. Government regulation of the securities market.
2. Regulation of the market by professional participants.

State regulation is primarily based on normative-legal acts. Legislative acts include legal acts, decrees, decrees, and other legal documents of the governing bodies. Guide lines, norms, norms, methodological guidelines and explanations for normative assurance, etc. It concerns. Minority securities in our Republic

The main documents on state regulation of the market are the Civil Code of the Republic of Azerbaijan.

The Code, the laws "On Securities", "On Joint Stock Companies", "On Investment Funds", and the Regulatory Documents of the State Securities Committee (SSC). These normative documents include the Regulations on Procedure of Securities Trading in Securities Market by Credit Organizations (03.11.1999), Regulation on Rules of Securities Trading and Securities Registration by Professional Participants of Securities Market (08.11.1999), Foreign Legal and Regulation on the Issue, Placement and Circulation of State and Municipal Securities of the Republic of Azerbaijan (09.02.2000), Regulations on Advertising in the Securities Market of the Republic of Azerbaijan (10.05.2000), Precious Value of Foreign Issuers (06.09.2000), elimination of irregularities in the securities market of the Republic of Azerbaijan and Rules for the Supervision of Investors' Rights Protection (22.11.2000), Rules for

Circulation of Futures in the Republic of Azerbaijan (08.01. Regulations on Conduct of Dealer Operations in the Securities Market (12.08.2003), Rules of Internal Accounting by Securities Broker and Dealer (25.05.2004); Rules for keeping, using and presenting service information in the securities market (05.10.2004), Rules for preventing manipulation of securities in the securities market (08.12.2004), Rules of professional activities for the securities management in the securities market (25.03.2005) an example can be shown.

According to the Civil Code, the state regulation of the securities market consists of the following (Article 1078-40):

1 Carrying out observance and observance of normative legal acts on regulation of the securities market, determination of requirements and rules of their activity to market participants, state registration of securities issue, issuance of special permit (license) for professional activity in the securities market ;

2 Protection of rights of investors and securities holders in the securities market, implementation of state control over the activities of securities market participants, taking appropriate measures to bring persons who violate the market legislation;

3 Increasing the professional level of the securities market participants

taking appropriate measures, determining market development trends, creating healthy competition environment in the securities market;

4 Determining the requirements for closing deals with securities,

determining the rules for clearing and paying debt obligations of legal entities and individuals, and regulating the market of debt obligations secured by securities;

5 Securities market of the Republic of Azerbaijan to the world financial market

preparation of measures for integration and submitting for approval to the relevant executive authority, implementation of relevant measures, loading of assets with liabilities and registration and accounting of real estate mortgages with them;

6 The relevant state registries related to securities (securities

state registry of promissory notes and checks, official register of collateral with securities, state register of property mortgages, etc.), defining the insurance standards in the insurance market, defining rules and system of disclosure of information in the securities market ;

7 Printing of forms of securities (certificates) and their transfer to the country

regulation and regulation of activity on import and sale of goods, provision of mandatory instructions to the market participants in the manner prescribed by the legislation, establishment and regulation of the funds used for market development;

8 Measures to avoid manipulators in the market seen.

In the world practice, state regulation of the securities market is carried out by different bodies, depending on different models. For example, in the British model, state regulation of the market is only regulated by the government securities market through the Central Bank. In the German model, the central role of the government in the regulation of the stock market belongs to the Central Bank (Bunds bank), the Federal Securities Commission and the special bodies of separate territories. Government regulation in the United States is carried out by the Securities Commission.

In our Republic the main bodies for the state regulation of the securities market are the SCS, the National Bank and the Financial Supervision. The National Bank provides commercial banks with the right to operate on the securities market and

oversees this activity as well as acts as a senior agent for placement of government securities. However, the responsibility for their issuance and timely withdrawal lies with the Ministry of Finance.

The main body carrying out the state regulation is the SCS. This body was established on the basis of the Decree of the President of the Republic of July 26, 1999. As noted in the decree, the SCS possesses superior authority in the field of securities operations, including the stock market, with other central and local executive authorities, and oversees their activities in this area. The SCS Charter states that the committee operates in close interaction with relevant executive authorities of the Republic of Azerbaijan, the National Bank of the Republic of Azerbaijan and other credit organizations, local self-governing bodies, legal entities and individuals operating in the securities market. The Committee is a legal entity, has independent balance, expenditure estimates, right of operative management, public accounts, bank accounts, bank stamps, stamps and blanks with the name of the State Emblem of the Republic of Azerbaijan. The Committee is subject to the President of the Republic of Azerbaijan. The main tasks of the Committee are: ensuring the development and implementation of state policy in the field of securities, including the securities market, public administration and regulation, control; market organization and development, creation of favorable investment climate; control over the activities of issuers, professional participants and stock exchanges in the market; creating a healthy competitive environment in the market; ensuring the protection of rights of market participants, including investors, shareholders and other securities holders.

This committee is a member of the Council of State Regulators of the CIS Securities Market, established on September 18, 2003 in Yalta.

Regulation of the securities market by professional participants forms the market self-regulatory system. According to the Civil Code of the Republic of

Azerbaijan (Article 992-1.16), the organization of self-regulating professional participants of the securities market is a non-governmental organization that operates on the voluntary, non-profit basis of professional participants of the securities market. This regulation is carried out by various organizations. In world practice, these organizations are created as associations, associations, and associations associated with contractual relationships of professional participants in the market (eg, Investment Dealer Association in the United States). The market's self-regulating activity envisages that its participants will be governed by the rules of trade and ethics, trade-offs, and compliance with them. The Union protects the interests of the stock market participants, as well as identifies stringent market behavior rules and ensures effective control over them. One of the positive aspects of such self-regulation is the cost savings on the market regulation, limiting the management of the market. On the other hand, market participants are more interested in normal market regulation compared to government officials. Such control is often more serious and demanding than the civil servant's control.

The main functions of self-regulatory bodies are:

- 1 Self-regulation of market participants' activities;
- 2 Providing high professional standards and staffing;
- 3 development of market infrastructure;
- 4 Joint scientific research, collective representation of interests and protection of investors' interests.

This organization was established in 2007, despite the adoption by the SCS of the Rules of Activity of Self-Regulation Organizations of Professional Participants of the Securities Market dated 24 March 2000. The founding meeting of the

"Association of Participants of the Stock Market of Azerbaijan" Public Union (AFBIA) was held on May 22. Founders of the association are the National Depository Center, Baku Stock Exchange (BSE), Stock Commercial Center "Azerintertreyd", "Standard Equity", "Unibank", "ADB Broker", "Technique capital Management" and "Azerigazbank".

The main objective of the Association is to inform the public of the investors' awareness, to create conditions for the effective operation of the professional securities market participants, to protect the interests of investors and other participants in the securities market. This organization ensures that the professional participants of the securities market are determined on the basis of ethical norms and comply with these standards. The Union operates on a public basis and funded by members of the organization. The members of the organization will increase their activity by paying 500 AZN a year. The proceeds will be channeled to awareness raising activities.

Chapter 3. The role of the securities market in the market economy.

3.1. Current state of the securities market in Azerbaijan.

In the modern period the securities market of our republic continues to evolve despite some shortcomings. Taking into consideration that the main legislative, regulatory and organizational-legal basis for the formation of this market in Azerbaijan was formed in 1999-2000, and measures taken during 7-8 years can be called a successful period for the development of the securities market. During this period many normative-legal documents were adopted, new regulators and other bodies were established, and many projects were implemented. These include the stock market part of the republic's independence period. But in general, the creation of the securities market in Azerbaijan coincides with the end of the 19th century and

beginning of the twentieth century. The first shares in our country were issued with the approval of the Charter of Baku Trade Bank in 1913. Major shareholders of this bank were well-known entrepreneurs of Azerbaijan - Chairman of the Board HZ Taghiyev, members MS Asadullayev, M.Naghiyev, M.Mukhtarov and others. In the first two decades of the twentieth century, a number of joint stock companies functioned in Baku. Among them are "Oil Products Joint Stock Company", "Bul-Bula Oil and Trading Joint-Stock Company", "Balakhani-Zabrat Oil Production Joint-Stock Company" and others. In the pages of the Kaspı newspaper of 1900, articles on promotional reform published interesting information confirming the wide use and validity of this securities at that time. At that time, Baku Trade Bank and other banks operating in Baku issued bills and interest bonds. It has been widely used in billing process and debt relationships. The promotional market was developed during the period of the Azerbaijan Democratic Republic, but was restricted during Soviet rule. The main securities in circulation in Soviet Azerbaijan were state bonds and promissory notes (commercial loans). After gaining independence, our republic began to focus on the development and development of the securities market, which is the main area of the system, in the transition to a market economy. In this connection, various laws and regulations have been adopted at various levels and various bodies have been created. There was a need to use international experience to accomplish all of this. It should be noted that in the world practice three models of market development are distinguished (Table # 3):

- 1 non-bank model (US) - non-bank organizations dealing with securities as mediators;
- 2 Bank model (Germany) - banks act as mediators;
- 3 mixed model (Japan) - mediators act as both banks and non - banking organizations.

Table # 3

Development models	American method of development	German method of development
Source of investment	Foreign investors	Domestic investors
The main developing organizations	Investment banks, investment funds, non-government pension funds, etc.	Commercial banks
Adjustment model	Basically self-regulatory organizations	Basically the state
The proportion of operations carried out on the organized market (stock market)	Great	Small

Structure of the market in terms of issuers	Basically government securities	Mainly corporate securities
The structure of the market in terms of private sector financing	Mostly share securities	Basically debt securities

Despite the fact that the stock market of the Republic corresponds to the German model in the first years, it is now closer to a mixed model.

On December 15, 1992, the Law on Entrepreneurship was adopted to determine the principles of entrepreneurship in the country, the rights and obligations of the

entrepreneurship entities, the form and methods of its protection and recognition, and the interaction of entrepreneurs with state bodies. On June 12, 1994, the Milli Mejlis adopted the Law "On Joint Stock Companies" in order to ensure the establishment and operation of joint-stock companies in the territory of the Republic and ensure legal provision of their activities. On September 29, 1995, the "State Program for Privatization of State Property in 1995-1998" was approved. On September 24, 1996, "Regulation on concessionary sale of state-owned enterprises to ATC" was approved. On November 29, 1996 "Statute on the rules of transformation of state-owned enterprises into joint-stock companies" was approved. Additionally, in 1996, the Cabinet of Ministers adopted a "Regulation on Issuance, Placement and Circulation of the T-bills" that provided the initial conditions for the formation of the bond market in the country. Then, on May 14, 1997, a list of joint ventures of the SC and the specialized FDI registries created during the privatization of state-owned enterprises, "State privatization options", "Specialized Check Investment Funds (MPF)", "National Depository System" On Approval of Regulations on the Rules of Procedure, "On May 16, 1997" On Stocks of SCs Created as a result of transformation of state-owned enterprises to be directed to the formation of specialized investment funds in privatization process ". On August 11, 1997, the Cabinet of Ministers approved "Exemplary Regulations for Specialized FGPs", "Recommendations for the Management of FFDs" and "Licensing Rules for Depository Activities". On July 14, 1998 the Law of the Republic of Azerbaijan "On Securities" was adopted.

Since September 18, 1997 National Depository Center (closed joint-stock company) has started its activity.

On December 30, 1998, the "Decree on the establishment of the SCS" was signed. On July 26, 1999, the Decree was signed on "Ensuring the activities of the SCS and approval of the Statute on the SCS." Thus, in the republic the foundation of the state regulation and control of the stock market has been laid. Since 2006, the SCS

has been operating in Nakhchivan Autonomous Republic. In 2000, the Baku Stock Exchange (BSE) was established.

Additionally, many projects have been implemented by the government with the help of foreign organizations in connection with the development of the stock market in our country. The implementation of the project "Technical Assistance for the Development of Baku Stock Exchange and SCS" funded by the International Finance Corporation started in 2002. The total amount of this project was € 320,000. The project was implemented by Atos KPMG Consultancy, the Netherlands. The main directions of this project were the following: analysis of normative-legal acts on issuance of securities and recommendations, encouragement of initial placement of securities, organization of training courses, and holding retraining courses in Amsterdam.

The opening of the Azerbaijan Corporate Governance Project (AKIL) was officially announced at a conference in Baku in May 2003. The Azerbaijan Corporate Governance Project (AKIL) was implemented by the International Finance Corporation (IFC) with the noble support of the Swiss State Secretariat for Economic Affairs (SECO). The main objective of the project was to improve corporate governance practices in joint stock companies, including commercial banks. To achieve these goals, the project was planned to operate in four main areas: working with stock societies; work with the government of Azerbaijan; Cooperation with Azerbaijani educational institutions; and public awareness campaign. In 2004, the FIRST multi-donor program was approved. The main objective of this program is to provide technical assistance to government agencies that govern the financial sector in developing countries. FIRST projects were funded by the World Bank, the Canadian International Development Agency, the UK Department for International Development, the International Monetary Fund and other donor organizations. A decision was made to implement a technical assistance project "Support to the

creation of non-bank corporate bonds market" by the FIRST program and on 14 July 2005 the Technical Assistance Grant Agreement was signed between the SCS and the British Empire Market Economies Limited.

In 2005, a large-scale project on "Corporate Governance Development" was launched in different regions with the participation of 35 joint-stock companies in the regions by SCS, BFB and International Finance Corporation in Baku.

In 2007-2008 these normative-legal acts were adopted: Action Plan for 2008 on Implementation of the National Strategy for Increasing Transparency and Anti-Corruption of the SCS; Rules on issuing international identification numbers to securities issued in the Republic of Azerbaijan; Rules for Reporting by Professional Participants of the Securities Market; Rules for Keeping Bookkeeping in Credit Institutions; Regulations on issuance of permits for placement or circulation of investment securities of state-registered issuers in the Republic of Azerbaijan outside the territory of the Republic of Azerbaijan. On May 15, 2007, the Baku Stock Exchange (BSE) and the Warsaw Stock Exchange (VFB) signed a memorandum of long-term cooperation. According to the signed memorandum, the parties intend to cooperate in exchange of information and experience exchange for development and integration of stock markets of both countries. The Warsaw Stock Exchange is one of the largest stock exchanges in Central and Eastern Europe. As of June 5, 2007, 298 companies (including 14 foreign companies) were listed on the VFB. Since the beginning of the year, the total turnover of the company is \$ 300 billion. Over USD.

The most remarkable measure of the stock market development in 2007 was the establishment of the Association of Equity Participants of Azerbaijan (AFBIA), a market self-regulatory organization, which was detailed in Chapter II.

Certain progress has been made in the expression of the current state of the securities market. During 2007, the SCS issued 795 million. The government issued 137 state-owned shares worth a total of AZN 2.2 billion, or 2.3 times more than the same period in 2006. 113 issuers were registered in 2007, while 100 issuers were registered in 2006.

At the secondary market shares of \$147 million. The deal was concluded in the amount of AZN 83 million AZN amounting to 64AZN. The share of the non-exchange market fell to the AZN.

During the year 2007, the State Committee for Securities issued AZN 72 MILLION. The issue of 20 corporate bond issues was registered in the amount of AZN 20 million, which is 56% more than in 2006. In addition, in 2006, 12 issuers were registered for issue of corporate bonds, 14 issuers were registered in 2007.

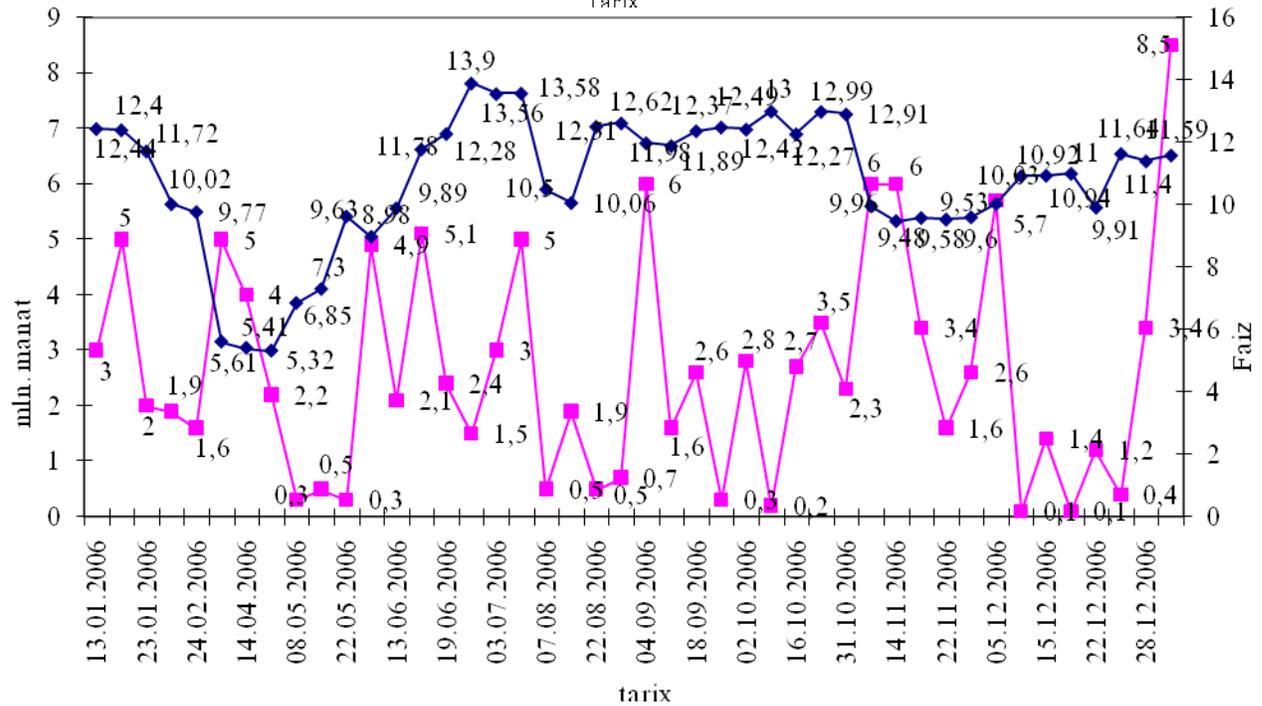
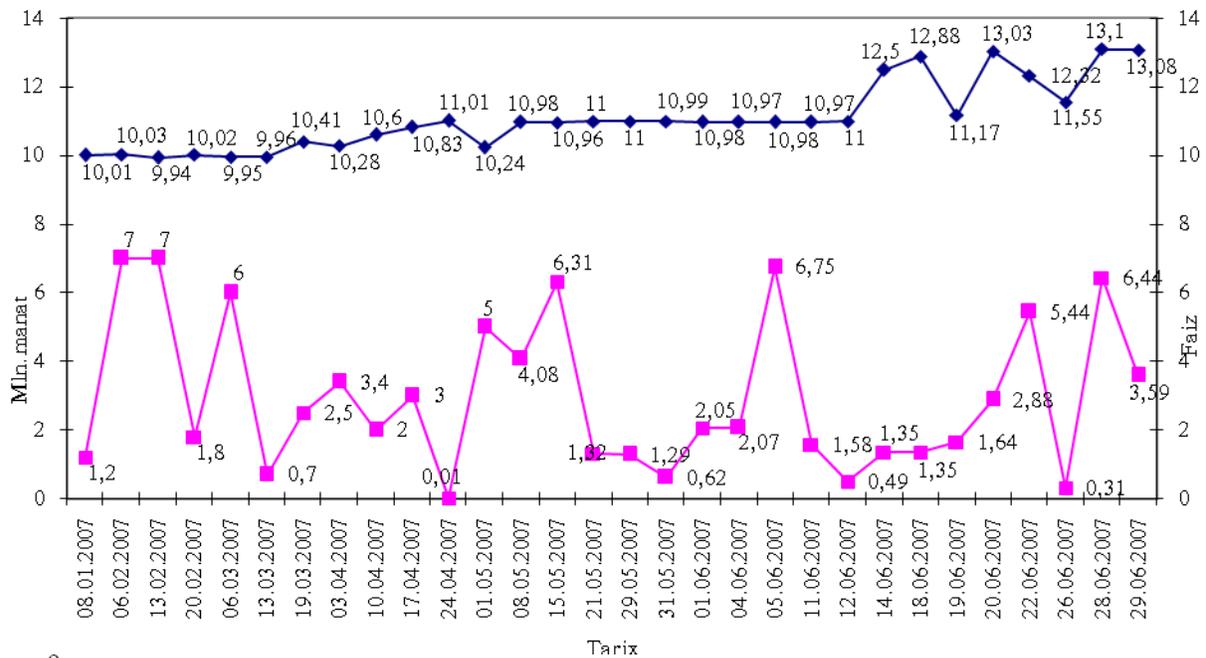
There was a significant increase in the corporate bond market. Thus, in the secondary market more than 14 MILLION. 171 deals were registered on corporate bonds, which was 2.8 times more, and 8 times more in comparison with 2006 figures.

An increase in government securities emission and placement was observed. Thus, the total volume of government short-term bonds emission amounts to \$ 276 million. AZN, or 25% more than in 2006. The volume of short-term government bonds in the reporting period amounted to 226 million AZN, or 95% more than in 2006.

At the same time, there was an increase in both REPO and reverse REPO transactions in the secondary market, both in the secondary market and in repurchase transactions. Thus, within the reporting period, AZN 31mln was allocated to the Baku Stock Exchange for short-term government bonds. 37 transactions were concluded in the amount of AZN 95, which is 95% more than in 2006 and 4.5 times more in

comparison with 2006 figures. Against REPO-REPO transactions with government short-term bonds in the secondary market, 14 MILLION. 14 deals in the amount of AZN 40 million were concluded, which is 40% more than in 2006 and by 3.7 times more than in 2006. Chart 2 and 3 show the moderate yield dynamics for the years 2006 and 2007 according to the T-bills. The total volume of emission of the National Bank's short-term notes amounts to 2,650 million AZN, which is 2.4 times more than in 2006. The volume of placed short-term notes is 1,874 million AZN, which is 2 times more than in 2006.

Baku Stock Exchange announces short-term notes AZN 220 million The amount of transactions was AZN 74 million, which is 74% more than in 2006. REPO-RELEVANT REPORTS ON REVOLUTION MARKET OVER 2 690 MILLION DOLLARS 988 transactions were concluded in the amount of AZN 9 million, which is by 9 times more than the figures of 2006 and by 23 times more than the amount.



There was a significant increase in mortgage securities, mortgages, housing certificates and mortgage securities. Total area of 469 thousand m², 260 million. The issue of a housing certificate in the amount of 1,000 AZN has been registered by the state. Thus, compared to the indicators of 2006, the area of housing certificates was 4 times, the amount was 5 times and the number was 3.6 times more. In 2007, the State Statistical Committee registered 1,743 mortgages, which is 9 times more than in 2006.

In addition, 1,740 mortgages were additionally registered, which was 18 times more than in 2006.

Over the reporting year, there has been an increase in the number of collateral transactions. Thus, 1,239 mortgages were registered by the state. It was 13 times more than in 2006. in addition , a total of \$ 30 million. A simple bill was issued, which was 57% more than in 2006. Looking at the figures in the table below and comparing with the previous year's figures, we can say that the stock market will continue to grow in 2008 (3 months):

Shares	3 months of the current year		Relevant period of last year	
	Number	Amount million.man	Number	Amount million.man
Share issue, including:	25	232.8	24	41.8
Ordinary shares	24	230.8.	24	41.8
Privileged shares	1	2	0	-
About emission results	14	59.7	25	63
Corporate bonds	3 months of the current year		Relevant period of last year	
	NUMBER	Amount million.man	Number	Amount million.man
Issuance of bonds	1	1	4	9.7
About emission results	2	5.2	4	8.1

	Current year		Last year's appropriate during the period	
	Number	Amount million .man	Number	Amount million .man
Government bonds				
Emission of government bonds	15	78	10	47
Embedded bonds (by nominal)	13	63.7	7	26.1

3.2. The role of the securities market in the development of Azerbaijan's economy.

For both economy and the economy, both sides of the securities market play an important role both in debt and equity markets. Share securities market is a stock market. In modern conditions, the creation of a stock market within the country and strengthening its legal legislation will enable companies and businesses to share and globalize not only nationally but also internationally. They are an important and relatively new way of involving companies and financial firms in capital markets

Short-term notes of the National Bank of the Republic of Azerbaijan	Current year		During the corresponding period of last year	
	Number	Amount million .man	Number	Amount million .man

	er	million .man		
Short-term notes of the National Bank of the Republic of Azerbaijan emission	13	790	12	360
Placed notes (by nominal)	12	537.3	12	300.1

that they sell their shares, that is, their shares to these markets. The involvement of funds in this way gives enterprises and firms, in general, some advantages that are shared with: Shareholding risk allocation in the fund - Shareholders are responsible for the activities of the Joint Stock Company, depending on the type of equity they hold and their shareholder rights . Shareholders, along with the right to participate in profit and equity, also undertake a portion of the entity's business risk; Sale of share certificates in stock markets involves new shareholders, increasing the demand for shares in the company and, respectively, their pricing. Shareholders can attract new shareholders to the joint-stock company by selling their equity securities in an open or closed market, as well as reducing the share capital of the joint-stock company by increasing the shareholding; the sale of share certificates both on national and international stock markets creates an opportunity for the enterprise to be recognized both internally and internationally.

The development of the stock market is crucial for the economy of our republic, which has entered the market economy system. This, above all, shows that the process of privatization is more appropriate and allows for a short period of time.

One of the major challenges facing the economy in the market economy and transition economies is the solution of the problem of mutual debt problems, as well as the issue of non-payment of fees. Because the existence of a mutual debt problem also causes new problems. The enterprise cannot pay taxes, because buyers do not pay

their debts for their goods. The state, in its turn, cannot afford a budget plan due to a lack of tax revenues, and state aid to some sectors of the economy is delayed or not generally provided. All of this, in general, affects economic life, and the state loses its power over economic, political or other spheres.

In the modern era, the government believes that the development of the debt market is more appropriate for the solution of these problems. This market plays a major role in meeting the needs of the enterprise's core and operating assets. Securities traded in the market are those that provide the areas in which the debt securities need circulation. The main element of the debt market, the flow of promissory notes and bonds, is that financial resources flow from less effective areas to more effective areas. In this regard, the development of the debt market in the country helps to solve many problems within the enterprise as a whole, and the efficient distribution of resources is ensured. The main securities in this market are various types of promissory notes, corporations and government bonds, state treasury obligations, savings certificates and so on. Securities .

The promissory note is of great importance in repaying outstanding debt. Different legal entities and individuals may attract the funds needed for the issuance of a promissory note, pay for the goods they receive, or bill to pay for their services, make clear their debts and pay their debts equally. In the market conditions, the promissory note acts as collateral in the provision of guaranteed loans. At present, banks accept and widely accept that the promissory note is a mortgage. Individuals and legal entities who wish to start a business but do not have any real estate or other assets to collateral, are guaranteed by the Bank for their obligations both for the bank and for the borrowers when obtaining a loan from a bank. In many advanced countries, banks are actively involved in promissory notes. Banks may issue bills of exchange, issue a mortgage for mortgages, issue a promissory note, and so on. by

expanding their turnover on the one hand, and on the other hand they generate revenues by attracting less risky transactions.

In our Republic, the development of the promissory note market is of great importance. In particular, in the oil sector, which is the main area of the country, there is a great deal of production and production, mechanical engineering, extraction, processing and so on. the activity of separate entities leads to an increase in mutual settlements between them. One of the key issues is the timely fulfillment of obligations on mutual settlements in such an important area, which is one of the best ways to eliminate this. In this regard, the SCS approved the Regulation "On Circulation of Proceeds of the Republic of Azerbaijan" on February 2, 2000. One of the important conditions that must be accepted is that the problem of non-payment in the country cannot be resolved by administrative means for a long time.

Other securities bearing in the debt market are bonds. These securities are the basic tool of government, various government agencies and municipalities to attract funds. Bonds are issued by corporations and government. The state-owned bond issuer acts as a lender, while the state acts as a borrower. The government bonds are the least risky securities within the stock market. This is due to the fact that the state is considered as the most reliable among the subjects.

The role of the stock market in our country was closely linked to the organization of the privatized commercial enterprises in the form of joint-stock companies. Because the implementation of this process in the country necessitated the existence of the stock market at least. On June 12, 1994, the Law "On Joint Stock Companies" was adopted. On November 29, 1996 "Statute on the rules of transformation of state-owned enterprises into joint-stock companies" was approved. Then, on May 14, 1997, a list of joint ventures of the SC and the specialized FDI registries created during the privatization of state-owned enterprises, "State privatization options", "Specialized

Check Investment Funds (MPF)", "National Depository System" Regulation on the Rules of Procedure "was adopted. The adoption of these normative-legal acts and their implementation required the creation of a thoroughly formed securities market in the country. Establishment of joint-stock companies in accordance with the new program on privatization conditioned the availability of checks and options market. May 18, 1997 is considered as the beginning of the auction (auction) in the republic. In the same year, 14 auction auctions were held and 724 shares were sold for sale.

In 1996, the Cabinet of Ministers adopted "Regulations on Issuance, Placement and Circulation of T-bills" and for the first time the Ministry of Finance issued state bonds, which provided the initial conditions for the formation of the bond market in the country. In 140year 1998, the Law on Securities was adopted.

The foundation of the stock market in our republic has laid the foundation for corporate governance.

In our country this management is carried out in the form of joint-stock companies.

It should be noted that, despite the fact that the privatization process has been carried out for almost 16 years, many enterprises have not been privatized yet. One reason is that foreign investors cannot be involved in the privatization process. For this, it is important to provide more information about the securities market and investment climate in the country. On the other hand, not all enterprises are involved in privatization. This is due to the special strategic importance of these enterprises for the state. For example, although the State Oil Company of Azerbaijan (SOCAR) was privatized in the first years, it was subsequently withdrawn from this process, taking into consideration its importance for the state. In addition, such joint stock companies as Azer Su and Azer Energy are state-owned.

In 2007, "leased and unused residential areas" were the first in the list of privatized objects (1195 objects). For the first time in 2007, 13 healthcare facilities, 41 cinemas and 65 kindergartens were privatized.

In 2007, the number of joint stock companies established on the basis of state-owned enterprises was 43. The first place in the list is "construction". In 2006 this number was 12 units. It should be noted that the highest number of joint-stock companies created in state-owned enterprises was registered in 1998 (507).

As you know, the State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan (2004-2008) was adopted in accordance with the Decree of the President of the Republic of February 11, 2004. The program envisages the development of various economic and social spheres in the regions of the republic, and restoration of the balance between the center and regions in these areas. The program has identified different actions, their purpose and executors in relation to the above. The program envisages the restructuring of enterprises, accelerating the process of privatization, the transformation of medium and large enterprises into stock companies, and the sale of their shares, which, in the course of these years, will be used for the privatization of securities in the implementation of such a large-scale state program which means the market plays a major role.

After creation of the securities market, it was important for the government to regulate its role in the economy of our country. In accordance with this Decree of 26 July 1999, the SSC, which is a regulatory body, was established.

With the establishment of the Baku Stock Exchange (BSE) in 2000, the role of the stock market in our country has increased. Because it was an important organizational form of the securities market. It should be noted that the first stock exchange in the stock market of our republic was "Baku Securities Exchange",

established in 1991. The activities of the stock exchange were regulated by the Law of the Ministry of Finance "On licensing of stock market activities in the securities market". However, as a result of the budget deficit and the non-continuing monetary-credit emission, the rate of inflation was over 50%. After that, as a result of the political and economic crisis in the country, there was not favorable conditions for the development of the market, and its activity was suspended.

On November 8, 1999, "Some activities in the field of securities operations the "Licensing Regulations", which was also a very important document, the creation of a civilian capital market infrastructure in the country ,was one of the new priorities for their regulation by the government in order to expand the corporate paper market and strengthen the flow of investment. Following this decree, as a result of the initiative and assistance of the SCS, the stock exchange was created in our country under the name "Baku Stock Exchange". In February 2000, the BSE's authorized capital amounted to 5.4 bn. man . Its founders included financial and investment institutions, several large foreign banks and investment companies, including:

"TCFS Services" Ltd.; "Atabank"; "Uni Bank"; First Bank "; Koçbank Azerbaijan; "CI Bank"; "Mostbank" Azerbaijan; "United Credit Bank"; "Mars Investment"; Azerigazbank; Azerdemiryolbank; Global Securities "; "BUS Bank"; "International Bank of Azerbaijan"; "Istanbul Stock Exchange"; "Rabitabank"; "Azernururbank"; "Capital Management". Each of them has a share of 300 million. AZN . At present, the number of stock exchange members is 18. Among them are members of "Standard Equity", "BOB Broker", "Yapı Kredi Bank Azerbaijan". The supreme governing body of the Stock Exchange is considered to be the General Meeting of Shareholders. He selects members of the Stock Exchange. The Exchange Council consists of the following bodies: 1. Supervisory Board; 2. Financial Audit Commission; 3. Jury Commission; 4. Board of Directors.

The trading floor of the exchange was provided with 30 computerized places. 18 of them are submitted to stock exchange founders and 12 to stock exchange members not included in founders. Exchange members can be legal entities and individuals (banking, investment funds, brokerage companies) engaged in professional activities in the stock market and licensed by SCS to carry out this activity. The following requirements must be met for securities listed on the stock exchange:

- The volume of the issuer's personal capital is 1mln. Should not be less than US \$;
- The activity of the issuer in a certain area should not be less than 5 years;
- The balance sheet profit for the period between the last reporting period and the date of listing should not be less than \$ 100,000;
- The ratio of debt capital to equity should be equal to or greater than the mid-field indicator;
- The issuer must have at least 100,000 shares listed.

Since November 2001, BFB has been a member of the Euro-Asian Stock Exchange Federation (FEAS).

In 2000, the "Development of the Securities Market in the Republic of Azerbaijan" PROGRAM (July 2000 - December 2001) was adopted. In this program, the main directions of the development of the state policy and the securities market in the securities market of the Republic of Azerbaijan have been identified. The main directions of market opportunities are the formation of legislative base of the securities market, development of the securities market infrastructure, creation of institutional investors system, protection of investors' rights in the securities market, securities market specialists, development of international relations, creation of open information system in the securities market. was captured.

Taking into consideration the role of the stock market in the development of our economy, the Ministry of Economic Development has defined further development trends of this market in the Economic and Social Development Concept of the Republic of Azerbaijan for 2007 and the next three years. Future priorities for the development of the securities market, which is an integral part of the financial market, are the deepening of integration of Azerbaijan into the international capital market, establishment of cooperation with IOSCO, authoritative international organizations, Association of National Code Agencies Association (ANNA) and other international financial institutions, international depositary clearing in Euroclear and Clear stream organizations and to establish a single state printing house that meets international standards across the country. At the same time, the purpose of expanding the market of debt obligations through the use of debt securities in the Republic of Azerbaijan, expanding the use of mortgage securities and housing certificates, investing in securities, investing in the securities market (including share investment) and will stimulate the establishment of non-state pension funds.

Also, new financial instruments will be applied, including derivative markets (futures and options), the creation of professional staff in the securities market and the creation of a scientific-practical base for the securities market, the focus will be on the development of the relevant direction in higher education institutions, exchange and exchange of electronic information and other modern technologies will be ensured. The main objective is to ensure the formation of a stock market that can successfully invest in the economy and redistribute the economy, promote investment activity, and strengthen the country's position in the global investment market. The following measures will be taken to achieve this goal: 1. Expansion of the government securities market; 2. Improvement of the mechanism of attracting new funds into the corporate securities market, providing favorable conditions for securities management, stimulating the work of professional participants in the securities market; 3.

Legislative and judicial protection of investors' rights improvements; 4. Reduction of long-term investment risks, improving stock market financial instruments to attract new investors; 5. Complete barriers to the promotion of corporate paper offer removal; 6. Further development of trading systems in the stock market; 7. Accelerating the stock market infrastructure, which ensures the flow of capital and the reduction of investment sources. Improvement of stock market regulation mechanisms. It should be noted that at present, the securities market can be divided into four areas: 1. Government securities market - government short-term bonds; 2. Debt obligations and bills of exchange; 3. State privatization shares (checks) and options; 4. Corporate securities market.

Conclusions and suggestions

By summarizing analyzes carried out in the securities market, it can be concluded that in the modern conditions, the securities market is to act as a component of the financial market, to organize the movement of financial resources, to ensure their correct orientation, to act as the main tool of the state's financial and monetary policy; . it plays an important role in the development of the economy. Especially for market-oriented countries, this market development is of exceptional importance.

At present, more than half of the products and services in the world economy are produced by large corporations (stock societies). Most of these corporations are established in the form of stock societies, both open and closed. Joint-stock companies carry out their activities based on the equity capital formed from the sale of shares. This means that the stock market - the securities market should exist for the realization of the shares. In this market, the founders form the charter capital and start operating with the proceeds from the sale of shares in this market. As a result, these

enterprises are involved in meeting public needs by producing or servicing crops, and as a result of the increase in founders, both public and tax revenues, the state benefits.

The enlargement and development of the securities market leads to a favorable investment climate in the country and to the fact that the above is more realistic.

On the other hand, the securities market plays an important role in ensuring the continuity of production and other economic relations by solving the problems of debt and repayment. In this area, the main instruments are transactions with promissory notes and bills, which are already part of the securities market, as we have already noted. If there is a need for financial resources in order to meet certain needs of a particular economic entity, the securities market provides opportunities to pay for it and to ensure that the entity's continuing performance is fulfilled by fulfilling its current obligations by issuing promissory notes or bonds.

The existence of this market is of particular importance to the state. This is mainly related to the public debt. When budget funds and other means are insufficient to fulfill the state's functions, the state pays its turn to its turnover with these resources by issuing various securities (treasury bills, short-term bonds, etc.).

In addition, it should be noted that by studying the situation in the securities market, it is possible to determine the state of the production-economic pattern in any country. For example, it is possible to estimate the profitability of stock companies operating in the country, and hence the economic situation in the country by studying the volume of shares and transactions with them in the stock market, the market price and the demand for them.

As a result of this, we also saw that, as a country of market economy, the formation of this market in Azerbaijan was one of the most important events. Because of the large-scale privatization process in the country, the development of

entrepreneurship, the establishment of joint-stock companies, the development of debt relations and other economic processes, the existence of the securities market was essential. Specifically, privatization checks and options have played an important role in privatization of public property related to transition to a market economy. As a result of measures undertaken by the state in different periods of our independence, the securities market has already been formed in our reputation. Various laws and other legal acts have been adopted in this regard, such as the SCS, the National Depository Center, the Baku Stock Exchange, the SCS territorial administration on the Nakhchivan Autonomous Republic and the Association of the Association of Participants of the Stock Market of Azerbaijan. Projects were implemented. Nevertheless, some deficiencies still remain in the stock market of our republic.

In my opinion, the development of the securities market in our country and elimination of existing shortcomings can help:

1. The development of the securities market is closely linked to the development of various sectors of the economy and the development of the stock market in the international arena. Measures taken in this regard are the international financial market of the republic should be integrated into the market system.
2. It would be more appropriate for the stock market to be regulated by both the state and the more professional market participants.
3. Information provision should be brought to a high level - the securities market

Investors should provide full information about the risk that they invest and the profit they can bring.

4. Improvement of taxation issues in the securities market with relevant agencies, in the world practice and in the creation of a favorable environment for investment growth implementation of tax concessions.
5. Establishment of stock exchanges in the regions with large investment in the republic and in the banking system, opening of various divisions in the regions, such as the SCS, the National

Depository of Merit. Investment funds stimulation of creation. 6. Expansion of activities of the National Bank, such as the implementation of monetary policy and promissory notes that play an important role in the financing of commercial banks as a means of payment and cashless settlement. First of all for this propaganda should be strengthened. 7. Attraction of foreign capitals to our republic, development of oil and non-oil sector, issuance of euro bonds for financing large-scale projects of state importance, as well as provision of state and non-state securities to the world's most developed stock markets to be 8. Wider use of foreign experience in corporate governance. 9. Issuance of government securities for different segments and different investor classes, with the National Bank's public securities market expansion of operations 10. Reforms in the pension system, taking measures to attract more institutional investors' attention, etc.

Implementation of these measures will allow us to develop even more advanced and affordable securities market in our country and accelerate the rate of growth of the economy. Thus, the stock market formed in our country can become the largest and most developed stock market in the region. Because of this, our country has extensive economic potential and extraction of non-oil natural resources, tourism, agriculture and agrarian industries, etc. There are various areas for promising and highly profitable investments.

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