

JAIDE

ISSN : 3032-1077

<https://doi.org/10.61796/jaide.v1i7.892>**WAYS TO IMPROVE OPEN MARKET POLICY BASED
ON FOREIGN EXPERIENCE****Murodova Mohigul Chori qizi**

Tashkent State University of Economics

Associate Professor of the "Regional Economy" Department, Ph.D

Email: ch.mohigul@mail.ru

+998903978231

Received: May 22, 2024; Accepted: Jun 29, 2024; Published: Jul 24, 2024;

Abstract: In the article, the current problems related to the introduction of the foreign experience of the open market lever in the monetary policy of the Republic of Uzbekistan are identified and scientific proposals aimed at solving them are developed

Keywords: Federal Reserve System, Federal Reserve Bank Board of Directors, Federal Open Market Committee, monetary policy, discount policy, open market policy, REPO operation.

This is an open-access article under the [CC-BY 4.0](https://creativecommons.org/licenses/by/4.0/) license**Introduction**

The financial fluctuations observed in the world require strengthening the resource base of commercial banks, increasing the quality and scope of banking operations, and improving the effective control system.

According to the data, "the uncertainty in the US and European financial systems has led to financial losses for a number of banks. By the end of 2022, Signature Bank, whose assets amounted to more than 110 billion dollars, and deposits more than 88 billion dollars, was closed on March 12, 2023. On May 1, 2023, US banking regulators announced that First Republic Bank would be closed and sold to JPMorgan Chase Bank for \$10.6 billion. Credit Suisse was bought by the Swiss bank UBS, which has global and local systemic importance, for \$3.2 billion. Regulation of the activities of commercial banks at the local and international level, their effective control, ensuring their stability and ensuring profitability indicators are gaining urgent importance.

Literature analysis. In the implementation of the monetary policy of the Central Bank, the use of its traditional instruments, i.e. levers, plays an important role.

- refinancing policy;
- compulsory reserve policy;
- open market policy;
- currency policy;
- deposit policy.

According to F. Mishkin, open market operations, which are one of the traditional instruments of the Bank's Bank, are very necessary for controlling banks, and its convenience is as follows:

1. Open market operations are carried out at the initiative of the Federal Reserve System and its volume is controlled by the FZT. In the implementation of discount operations, there is no such control. In discount operations, FZT can increase or decrease banks' demand for discount loans by changing the discount rate, but cannot directly control the volume of discount loans.

2. Open market operations are precise and flexible and can be of any size.

If the Central Bank wants to significantly change reserves, it will sell or buy very large

amounts of securities.

Or, on the contrary, if he wants to change stocks in an unknown state, he buys or sells securities.

3. Operations in the open market have the content of easy reversibility. If FZT makes an error in the execution of open market operations, it may cancel the operation immediately.

If the interest rate of interbank loans has fallen too much due to the FZT's large purchases of securities from the open market, then the FZT will start selling securities

Based on the results of his scientific research, Z. Kholmakhmadov concludes that the main reasons for deepening the liquidity problem in the activity of commercial banks are the devaluation reserve, which is not always a source of financing, and the lack of open market operations, one of the levers of the Central Bank of our country, in the first level of banks. .

It can be seen from world practice that when there is little or no issuance of government securities, securities of the Central Bank become an important object of open market operations.

Securities of the Central Bank are a reliable investment object for commercial banks. This is an investment bank is one of the first conditions for increasing attractiveness. Another condition for ensuring the investment attractiveness of these securities is the tax exemption of the profits earned from them and their level of profitability.

Methods

Statistical grouping, induction and deduction, expert assessment, comparative and trend analysis methods were used in the scientific research. When writing a scientific article, the food industry, especially its branch of the production of oil products, is one of the innovatively developing branches in our republic. The oil industry is a strategic industry that ensures food security in our republic. At the same time, there are a number of problems in this network, and it is appropriate to use econometric methods along with traditional analysis methods

Result and Discussion

The development of open market operations of the Central Bank directly depends on the development of the securities market.

Admittedly, both segments of the stock market should be developed:

- *stock market;

- *over the counter market.

Since the stock market is a market where securities are traded on stock exchanges, there is a high degree of transparency of the transactions carried out in it.

As the over-the-counter market is an interbank market, the volume of operations in this market largely depends on the liquidity of commercial banks and their clients participating in the securities market.

It is characteristic that trading of securities in the over-the-counter market is carried out by banks, dealers and brokerage companies.

It is important to note that payments for securities are made according to clearly defined regulations. Payments for securities sold on the stock market of our republic are made in the following order:

- * securities for sale must be taken to the Central Depository;

- the buyer must deposit funds into the account deposit account of the Exchange member;

- *on the day after the transaction (T+0) (T+1), the Clearing House of the Exchange transfers the deposited funds of the buyer to the account deposit account of the Exchange member;

- *On day T+2, the buyer's broker transfers the full amount of the transaction to the settlement account of the Exchange HKP. After clearing, HKP transfers funds to the seller's account;

- *payment for the transaction must be delivered to the buyer within 5 days from the date of full implementation.

The Federal Reserve System of the United States of America (FZT) uses discount policy and open market policy as the basis of monetary policy for commercial banks. "The average interest rate

formed as a result of such transactions between depository institutions is called the Effective Federal Funds Rate (EFFR).

The SFFS is mainly determined by the market mechanism, but the FFS target (Federal Funds Rate Target) rate is formed due to the fact that it can be influenced by the FZT's open market operations.

FZT uses two types of REPO operations:

1. Correct REPO.

In this case, FZT sells securities to commercial banks with the condition of repurchase.

2. Reverse REPO.

In this case, FZT buys securities from commercial banks with the condition of resale.

The distinctive features of US FZT REPO operations are reflected in the following:

* FZT performs REPO operations with primary dealers (commercial banks) who are participants in government securities. These banks have a high reputation and extensive experience in the stock market, which ensures the speed of REPO transactions.

* FZT carries out REPO operations with government securities (FZT does not carry out transactions with securities of private companies in order to avoid conflicts of interest);

* FZT adds precision to the actual supply of reserves by obtaining data from the US Treasury on the expected level of its deposits in FZT;

* Managers of open market operations of FZT study the opinions of commercial banks acting as primary dealers about the state of the securities market every working day.

Studying these points allows you to predict the price movements of stocks throughout the day.

*FZT's open market operations specialists contact the Monetary Policy Department of the Board of Governors and compare their forecasts of market demand and supply of reserves with the department's forecasts. As a result, a stock market action plan will be developed .

1- table

Annual US GDP growth rate, annual inflation rate, and Federal Reserve discount rate in percent

Indicators	Years				
	2018	2019	2020	2021	2022
GDP growth rate	2,9	2,3	- 3,4	5,7	2,1
Inflation rate	1,9	2,3	0,1	4,7	6,5
FZT discount rate	2,5	1,75	0,25	0,75	4,0

From the data presented in Table 1, it can be seen that in 2018-2020, the trend of the growth rate of the US GDP was observed. GDP growth in 2021 is higher than in 2020. However, in 2020 it decreased compared to 2019. Basically, it is explained by the following reasons: damage is being done as a result of the ongoing trade war with China; In 2020, the slowdown of the growth of the US and world economy due to the coronavirus pandemic. In 2018-2020, the annual rate of inflation in the US was moderate, that is, the annual rate of inflation did not exceed 3 percent. However, in 2022, the US inflation rate increased significantly compared to 2021. This led to an increase in the discount rate of FZT.

The US FZT widely uses REPO operations to regulate the activities of commercial banks within the framework of the open market policy and conducts REPO operations with primary dealers (commercial banks) who are participants in government securities.

These banks have a high reputation and extensive experience in the stock market, which ensures the speed of REPO operations.

The Central Bank of Japan has 2 different ways to increase the reserves of the national banking system in applying the open market policy:

1. If the Central Bank of Japan intends to increase the liquidity of banks and money supply (in

national currency), then the Central Bank buys securities in the market.

All the offered securities can be purchased when the Central Bank sets a fixed exchange rate for the securities and reaches the specified level.

The Bank of Japan can set the purchase price of certain types of securities regardless of the exchange rate of the proposed currency.

2. When the Central Bank of Japan wants to reduce liquidity in banks, it sells securities in the Central Bank market.

The Central Bank will have 2 options:

- The Central Bank of Japan announces a certain rate and undertakes to sell any amount of securities as soon as the price of the securities reaches the announced level;

- The Central Bank of Japan undertakes to sell a certain amount of securities in an additional way. As a result, the amount of income from government securities and other highly liquid securities will increase and, therefore, their investment attractiveness will increase.

As a result, the interest of commercial banks and other credit institutions in these securities will increase and their lending capacity will decrease. This, in turn, leads to an increase in loan interest rates. If the Central Bank is not satisfied with the growth of interest rates in this way, it can buy securities again.

Conclusion

We made the following conclusions related to the organizational and economic ways of sustainable development of the food industry in Uzbekistan:

1. It is necessary to establish the practice of granting discount loans of the Central Bank of the Republic and increase the volume of open market operations.

2. To increase the volume of REPO operations, turning them into objects of open market operations of the Central Bank, to ensure a low and stable level of the market price of loans of commercial banks by the Central Bank during the formation of the national loan capital market.

3. In order to develop the open market operations of the Central Bank, firstly, by ensuring that the interest rates on "REPO" operations in the open market fluctuate within the range of the refinancing rate of the Central Bank ± 0.2 percent, the effectiveness of regulating the activities of commercial banks and managing liquidity should be increased.

References

- [1]. "Credit Suisse Logs Worst Annual Loss Since Global Financial Crisis," Reuters, Feb. 9, 2023. [Online]. Available: <https://www.reuters.com/business/finance/credit-suisse-logs-worst-annual-loss-since-global-financial-crisis-2023-02-09/>
- [2]. UBS, "UBS Completes Acquisition of Credit Suisse," UBS, Mar. 19, 2023. [Online]. Available: <https://www.ubs.com/global/en/media/display-page-ndp/en-20230319-tree.html>
- [3]. F. S. Mishkin, *Ekonomicheskaya Teoriya Deneg, Bankovskogo Dela i Finansovykh Rynkov* (Economic Theory of Money, Banking, and Financial Markets), translated from English, Moscow: OOO "I.D. Williams," 2013, pp. 483-485.
- [4]. Z. A. Kholakhmadov, "National Banking System: Ensuring Stability and Prospects," *International Finance and Accounting Scientific Electronic Journal*, no. 4-5, pp. 1-15, Aug.-Oct. 2018.
- [5]. F. S. Mishkin, *Ekonomicheskaya Teoriya Deneg, Bankovskogo Dela i Finansovykh Rynkov* (Economic Theory of Money, Banking, and Financial Markets), translated from English, Moscow: OOO "I.D. Williams," 2013, pp. 483-484.
- [6]. Table Annual Reports, "Consolidated Balance Sheet," Bank of America, [Online]. Available: <http://www.bankofamerica.com>. [Accessed: Date if available].