AMERICAN JOURNAL OF ECONOMICS AND BUSINESS MANAGEMENT

ISSN: 2576-5973
Vol. 7, No.1, January 2024

Security, Its Essence and Properties

Muratov Amir Timur ogli
3rd year student at Tashkent State University of Economics, Faculty of Finance and Accounting, Department of Finance and Financial Technologies

Abstract: A security is a form of existence of capital, different from its commodity, productive and monetary forms, which can be transferred instead of itself, circulate on the market as a commodity and generate income. This is a special form of existence of capital, in which the owner of the capital does not have the capital itself, but has property rights to it, which are recorded in the form of a security. The latter makes it possible to separate the ownership of capital from the capital itself and, accordingly, to include the latter in the market process in such forms as are necessary for the economy itself.

Keywords: securities market, issue-grade security, classification of securities, types of securities.

Relevance of the topic: Just as the views of authors on the interpretation of the definition of "securities market" and its functions differ, there is no consensus on the interpretation of the term "security". Moreover, as noted by E.F. Zhukov. There is no single approach to the concept of "securities" not only in domestic literature, but also in foreign literature. In his opinion, this is due not only to the diversity of interpretations, but also to who gives the definition - lawyers or economists.

However, the following definition of a security is given: an issue-grade security is any security, including uncertificated security, which is simultaneously characterized by the following characteristics:

- consolidates a set of property and non-property rights that are subject to certification, assignment and unconditional implementation in compliance with the form and procedure established by this Federal Law;
- placed in issues, has equal volume and terms of exercise of rights within one issue, regardless of the time of acquisition of the security.

As you can see, this definition includes the concept of "equity security". In addition, this definition is practically consistent with the definition given in American law. According to the Uniform Commercial Code of the United States, securities are securities issued in series to attract monetary capital, that is, shares, bonds, government debt obligations and derivative instruments (classic options, warrants, subscription rights, and the like).

The purpose of the study is to master the skills of calculating securities rates, their market value, exchange rate differences, financial results for transactions for the purchase and sale of securities, current and final profitability and other indicators necessary for making decisions on transactions in the market.

To achieve the goal of this work, solutions to the following tasks were set:

- analyze the state of the securities market;
- use literature sources, the Internet and periodicals to make decisions on transactions on the securities market;
- formulate and justify proposals for improving the work of investors, issuers and professional market participants in the conditions of a certain stage of its development.

Main part.

Securities represent a system of economic relations regarding transactions with securities, which are monetary documents certifying the property rights of the owner of the document or the relationship of borrowing funds, or the right (obligation) to work with financial underlying assets in the future.

Securities as objects of civil rights have a free transfer nature from one person to another in the order of universal succession and are not limited in circulation. They are turning. The circulation of securities means:

- purchase and sale;
- donation;
- storage;
- transfer to trust management;
- inheritance;
- use as collateral;
- use as a means of payment.

The classification of securities according to some criteria is presented in Table 1.

Table 1. Classification of securities

Classification feature	Types of securities
Investment form	Debt - securities that express a loan relationship between the investor and the issuer, have a fixed interest rate and are an obligation to repay the amount of debt at a certain date in the future (bonds, bank certificates, bills and others)
	Equity securities are securities that give ownership of a share in the property of the organization that issued them, receipt of income from its activities, and, as a rule, participation in the management of this organization
Lifespan	Urgent (having a set period of existence (long-, medium- and short-term)
	Perpetual (existing forever)
Forms of existence	Documentary - The documentary form of issue-grade securities is a form of issue-grade securities in which the owner is identified on the basis of presentation of a properly executed security certificate or, in the case of depositing one, on the basis of an entry in a securities account
	Book-entry - The book-entry form of issue-grade securities is a form of issue-grade securities in which the owner is identified based on an

	entry in the register of securities owners or, in the case of depositing securities, based on an entry in a securities account
Purpose of use	Investment (being the object of capital investment - stocks, bonds, futures, etc.)
	Non-investment (servicing cash payments - bills, checks, etc.)
Nationality	Domestic Foreign
Owner registration procedure	Bearer (does not record the name of the owner, is handled by simple transfer from one person to another)
	Personalized (contains the owner's name and is registered in a special register)
Release form	Issued (issued in series, within the series all securities are identical - shares, bonds)
	Non-emission (produced individually or in small batches)
Risk level	Risk-free Risky (high-, medium- and low-risk)
Availability of income	Income (interest, dividend, discount) No income
If possible, early repayment	Callable – can be recalled and redeemed by the issuer ahead of schedule (the recall procedure is prescribed in the securities prospectus)
	Irrevocable – cannot be recalled and repaid by the issuer early
	Returnable – can be returned early by investors to the issuer (as a rule, these are debt securities)

Depending on what underlies the security, they are divided into two large classes - basic and derivative. Primary or underlying securities are securities based on property rights to any asset (usually goods, money, capital, property, various types of resources, etc.) or debt obligations. Derivative securities are a non-documentary form of expression of a property right (obligation) arising in connection with a change in the price of the underlying asset, that is, the asset underlying this security. Commodities, underlying securities and the like can be considered as underlying assets. Derivative securities include futures contracts (commodity, currency, interest, index, etc.) and freely negotiable options. Some authors, for example, N.I. Berzon and others, divide papers not into two, but into three classes: primary, secondary and derivative. Primary securities include securities that are rights to primary resources. Secondary – giving rights to primary securities (rights, warrants, depository receipts). Derivatives are securities that certify the rights of their owner to buy or sell primary securities (options, futures, forward contracts)[1].

By type, securities can be classified as follows:

1) certificates of participation in capital. These are, first of all, shares issued by joint stock companies and corporations, and in some countries (USA, UK) they also include certificates of shares in a limited liability company or company. In our country, as well as in a number of European countries (for example, Germany), the latter are not considered securities. A paper is valuable if it can be used as a loan from a bank;

2) certificates of lending - various types of bonds issued by both businesses and governments (government securities). Bonds (especially government bonds) provide a greater safety net for savings

[1] Securities market: Textbook for academic undergraduate studies / edited by N.I. Berzon - 5th edition, revision and addition - M.: Yurayt Publishing House, 2019, 514 pp., p. 57.

than stocks and therefore are more attractive to risk-averse people. Investors who are willing to take risks in order to receive high dividends invest their capital and savings in stocks. There are mutually convertible stocks and bonds, which in certain cases can be exchanged for each other;

3) monetary and commodity documents expressing property rights. These include bills of exchange, checks, warrants, certificates of deposit, bills of lading, commercial paper, etc.;

4) international securities – Euro-shares, Eurobonds, Euro-notes.

With the development of the international securities market, a variety of securities appears - Eurobonds and Euroshares. Eurobonds are distinguished by the international composition of their syndicates and subscriber contingents, as well as by the fact that issuers can use a currency other than their national one. For example, German and Japanese issuers can issue Eurobonds in dollars, while Canadian and Australian issuers can issue Eurobonds in euros and yen.

Conclusion:

Securities have different economic bases, as a result of which they can be classified according to such criteria as the economic nature of the resource underlying the security. As mentioned above, on this basis, all securities are divided into two large groups (two classes): classic or basic and derivatives. Basic securities express economic relations regarding real or financial assets (property, money, capital). The most common types of classic securities are stocks and bonds. Shares and bonds are issue-grade securities. In accordance with the Law "On the Securities Market" - Issue-grade security - any security, including uncertificated one, which is simultaneously characterized by the following characteristics:

- consolidates a set of property and non-property rights that are subject to certification, assignment and unconditional implementation in compliance with the form and procedure established by the law on the Central Bank;
- posted in releases;
- has equal volume and terms of exercise of rights within one issue, regardless of the time of acquisition of the security. Less common on the Central Bank are such types of classic securities as bills of exchange, bank certificates, and checks.

References.

1. Securities market: Textbook for academic undergraduate studies / edited by N.I. Berzon - 5th edition, revision and addition - M.: Yurayt Publishing House, 2019, 514 pp., p. 57.
2. Securities market: Textbook / Ed. V.A. Galanova, A.I. Basova. – 2nd edition, revision and addition – M.: Finance and Statistics, 2001.
3. A. A. Kilyachkov, L. A. Chaadaeva "Securities market and exchange business", "Economist", Moscow 2003.
4. Y. M. Mirkin "Russian securities market. Impact of fundamental factors, forecast, and development policy", Alpina Publisher, Moscow, 2002.
5. Brealey, Richard A. Principles of corporate finance / Richard A. Brealey, Stewart C. Myers, Franklin Allen.—10th ed. McGraw-Hill/Irwin. 2013.- 969 p.
6. Galanov V.A. Stocks and bods market. M.: Infra - M. 2007. 384 p.

Published by "Global Research Network LLC"
https://globalresearchnetwork.us/index.php/ajebm