

DEVELOPMENT TRENDS OF THE DERIVATIVES MARKET**Zarina Murodovna Mukhammedova**Associate Professor at the Samarkand
Institute of Economics and Service ,MK-124 student **Normurodova Zuhra Orzimurod kizi**

Abstract: The article scientifically analyzes the derivatives market, its role in the economy and development trends. The research process sheds light on the main types of derivative financial instruments - futures, options, swaps and forward contracts - and their significance in the global financial system. In addition, the scientific views expressed by foreign and domestic economists in this area were compared and analyzed based on statistical data on the world market. The article also considers problems and promising areas related to the development of the derivatives market in Uzbekistan, and develops proposals and recommendations aimed at improving them. The results of the research are of practical importance for financial market specialists, researchers and the general public interested in this area.

Keywords: financial market, derivatives market, futures, options, swaps, forwards, investments, securities, value, instrument.

Introduction

Today, the global financial system is becoming more complex and interconnected than ever before. As a result of globalization processes, increased international capital flows, and the rapid development of financial innovations, along with traditional investment instruments, new, complex financial instruments are emerging at the center of economic relations. Among such financial instruments, derivative securities, i.e. derivatives, also occupy an important place.

The derivatives market is a separate financial market where financial contracts are traded whose value is linked to the price of a specific underlying asset, such as a stock, bond, currency, or commodity. This market includes the trading of financial instruments such as futures, options, swaps, and forwards . This market provides participants with the opportunity to hedge against price risks and generate speculative profits. According to statistics, the global derivatives market was worth \$30,573 million in 2024, and is projected to reach \$69,766 million by 2034. These figures clearly demonstrate the importance of this market in the global economy.

The Republic of Uzbekistan has also been taking a number of important steps in recent years to reform and develop its financial market. The legislative framework for the securities market is being improved, the Capital Market Development Agency is operating, and systematic work is being carried out to attract foreign investors. However, at the same time, the derivative securities market in our country has not yet been fully formed and this area remains insufficiently studied. It is this situation that determines the relevance and necessity of studying this topic.

The main purpose of this article is to study the theoretical foundations of the derivatives market, analyze world experience, and develop practical recommendations for the development of this market in Uzbekistan.

Literature Review

There are different views among foreign and domestic economists about the nature, importance, and risks of the derivatives market.

In his thesis entitled "Securities Market and Their Tasks", Sheratov.J states that "The implementation of investment activities in developing countries, first of all, involves the participation of entities in the stock market. The participation of entities in the stock market, in turn, goes back to the issues of developing the securities market. At present, it is impossible to resolve issues related to the development of the stock market of Uzbekistan without, first of all,

assessing the current state of stock market development, identifying its characteristics, trends, and conducting appropriate analytical work ¹. ”

Also, In the article “Promoting Economic Growth through the Development of the Securities Market: Mechanisms, Advantages and Risks” on the Flint.uz website "The securities market is, first of all, a mechanism for the convenient, rapid and efficient redistribution of financial resources between economic entities through transactions with securities, both domestically and internationally."

In the document entitled "Derivative security" on the official website of Scarton University, it is briefly defined as "A derivative security is a financial instrument whose value depends upon the value of another asset. The main types of derivatives are futures, forwards, options, and swaps ². "

In addition, in the POEMS.com.sg platform, in the scientific article entitled "Derivative Security", he defined the investor in securities, "A derivative security is a financial instrument whose value depends on or derives from the value of an underlying asset, index, or rate. These underlying assets include stocks, bonds, commodities, currencies, interest rates, and market indices. Essentially, derivatives are contracts between two or more parties that derive their value from the performance of these underlying entities.

For example, a derivative based on the price of crude oil will fluctuate in value as the price of crude oil changes. Derivatives can be traded on regulated exchanges or over-the-counter (OTC), depending on the type and purpose of the contract ³.

Analysis and results.

The analysis showed that the market for derivative securities is becoming increasingly important not only in developed countries, but also in developing economies such as Uzbekistan, for the effective allocation of financial resources and the formation of an investment climate. While foreign sources define derivatives as financial instruments that depend on the value of the underlying asset, local researchers emphasize that the development of this market depends on a thorough analysis of the state of the stock market.

“ On approval of the Regulation on the activities of investment intermediaries in the securities market ” ⁴The main goal of this regulation, developed on the basis of the order of the Director General of the Center for Coordination and Control of Securities Market Activities under the State Property Committee of the Republic of Uzbekistan, was adopted in order to legally regulate the activities of brokers and dealers in the securities market and protect the interests of clients. It is expected that by fulfilling the requirements of the regulation, an environment of transparency and trust will be created in the market, and investors' rights will be fully ensured. It is also intended to achieve sustainable development of the securities market by preventing unlicensed activities and fraud. This clearly indicates that the securities market infrastructure is being consistently formed in our country and that systematic reforms are being implemented aimed at legally strengthening the investment environment. This process serves as an important step in Uzbekistan's integration into the modern financial market.

In addition, the types and functions of securities were also analyzed in detail as a result of the studies.

Securities are mainly divided into two groups: primary and derivative. Primary securities include stocks and bonds. A stock is a security representing a share in the capital of a company, giving its owner the right to receive dividends and participate in management. A bond is a debt obligation, giving its owner the right to receive principal and interest payments after a specified period.

¹Jurabek Sheratov “Securities Market and Their Functions” file:///C:/Users/user/Downloads/491-493.pdf

²Derivative securities https://www.scranton.edu/faculty/hussain/teaching/fin471_/dsec02.pdf

³Derivative security <https://www.poems.com.sg/glossary/investment/derivative-security/>

⁴"On approval of the Regulation on the activities of investment intermediaries in the securities market" <https://lex.uz/docs/-804185>

In terms of its functions, the securities market directs financial resources to necessary sectors of the economy, protects against price risks, ensures liquidity in the market, and creates opportunities for investors to earn income.

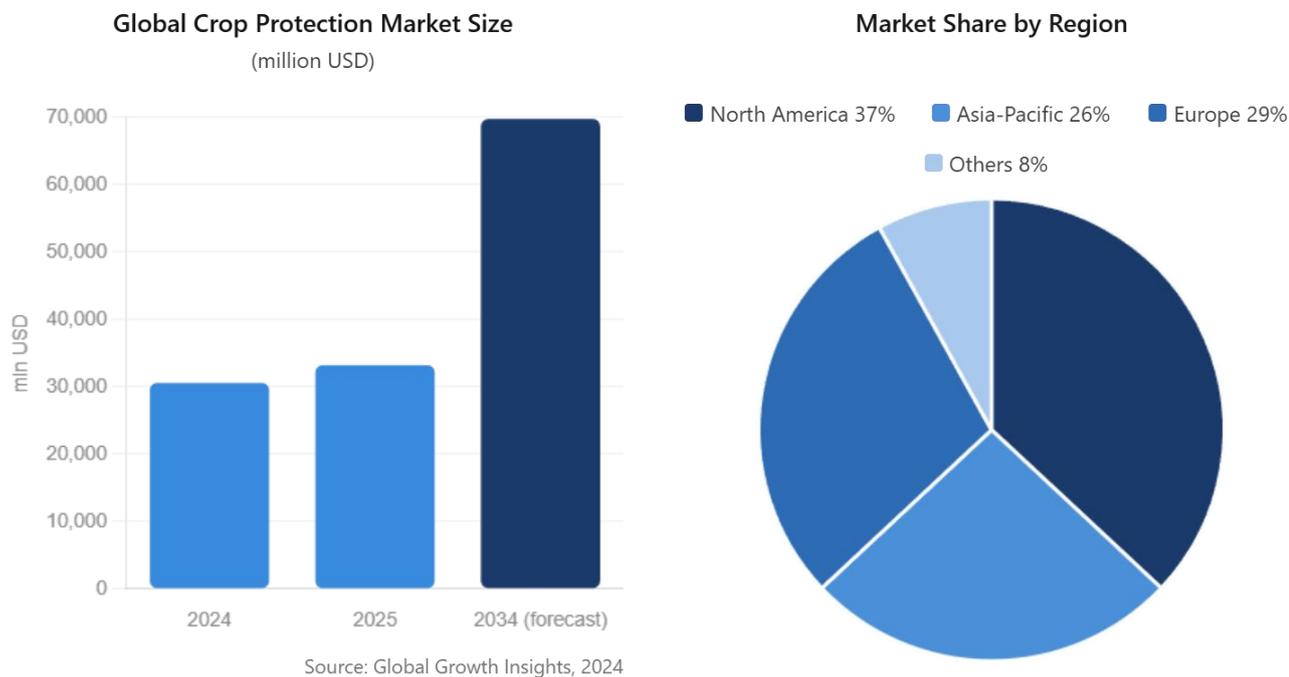


Figure 1. World Derivatives Market size and by region market share

As can be seen from the first column chart, the global derivative securities market has been showing a consistent growth trend in recent years. In 2024, the market volume amounted to 30,573 million. US dollars, and by 2025 this figure is expected to reach 33,203 million. dollars, that is, an increase of 2,630 million. dollars in just one year. Looking at this growth rate, it is not difficult to understand how dynamically the market is developing. In particular, the market volume is expected to reach 69,766 million. dollars by 2034 - this is an increase of almost 2.3 times compared to 2024. This indicates that this market is gaining increasing importance in the global financial system. The average annual growth rate of 8.6% is much higher than in conventional financial markets and reflects the growing interest of investors and financial institutions in derivatives. The main reasons for this growth include the increasing need to protect against price volatility in the global economy, the increase in international trade and investment, and the expansion of access to derivatives markets due to digital technologies.

The second pie chart, when analyzed by region, shows a clear geographical imbalance in the global derivatives market. North America occupies the absolute leading position in the market with a share of 37%. The main reason for this is the activities of large exchanges such as NYSE, CME Group and CBOE located in the USA, as well as a well-established financial regulatory system. Europe is in second place with 29%, and the financial centers of London, Frankfurt and Paris occupy the main positions in this region. The Asia-Pacific region is in third place with a share of 26%, but this figure is expected to increase significantly in the coming years, as the derivatives markets of China, India and Japan are developing rapidly. The Indian NSE exchange, on the other hand, has attracted special attention as the exchange with the largest number of contracts in the world in 2023. All other regions - Latin America, the Middle East and Africa - together account for only 8%, which indicates that there is great potential and opportunities for the development of the derivatives market in these regions. In general, the diagram clearly demonstrates the dominance of countries with developed financial markets in the derivatives

sector, and shows that there are enormous opportunities for developing countries, such as Uzbekistan, to learn and gain experience in this area.

Conclusion and suggestions.

During this study, the essence, historical formation, types and functions of the derivatives market, as well as its global status and development trends in Uzbekistan, were studied in detail. The analysis showed that the derivatives market has become an integral part of the modern financial system, becoming an effective tool for investors not only to protect themselves from risks, but also to generate additional income. Foreign researchers, including from Scarton University and the POEMS.com.sg platform, substantiate the role of derivatives in the global economy, while local researchers emphasize the strategic importance of this market for the economy of Uzbekistan.

Analysis of statistical data shows that the global derivatives market is on a steady growth path, and its volume is projected to reach 69,766 million US dollars by 2034. This means that the demand for specialists with in-depth knowledge and skills in this field will also increase sharply. Uzbekistan, as a country still taking its first steps in this market, has great potential, but a number of problems await resolution.

Based on this perspective, the following proposals were developed:

First, to develop the derivatives market in Uzbekistan, it is necessary to strengthen the legal and regulatory framework. A favorable and safe environment for investors can be created by developing special legislative acts regulating futures, options and swap contracts.

Secondly, the issue of increasing financial literacy also requires special attention. In order to expand knowledge about the derivatives market among the population and entrepreneurs, it would be advisable to establish systematic educational programs through universities, financial institutions, and the media.

Thirdly, it is necessary to effectively use foreign experience. In particular, the experience of South Korea, India, and China in developing the derivatives market can serve as a lesson for Uzbekistan, as these countries have also managed to create a developed market infrastructure from scratch in a short time.

Fourth, the introduction of digital technologies and financial innovations can facilitate market participants' access to derivatives and increase trading volumes. This requires the development of online trading platforms and their connection to the international financial system.

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