



The Largest Stock Exchanges In The World And Their Listing Requirements: Best Practices For The Tashkent Stock Exchange

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ABSTRACT

This article examines the London, New York, NASDAQ, Hong Kong, and Frankfurt stock exchanges, which are among the world's largest stock exchanges, their history of creation, and their place in the world market. Also, the positive aspects of the membership of The World Federation of Exchanges regarding the improvement of the activity of the Tashkent Stock Exchange were highlighted.

Keywords:

Stock exchange, LSE, NYSE, NASDAQ, SEHK, FWB, TSE, listing requirements, market capitalization, The World Federation of Exchanges.

1. Introduction.

Investing in stocks is one of the most popular types of investment in the world. Because the purchase of securities of JSC is faster than foreign direct investment and does not require a large amount of capital. Investments in securities are called portfolio investments, which include various assets such as stocks, bonds and their variants. Portfolio investments are formed through the purchase of securities registered in a specialized trading area known as the stock exchange.

Hundreds of stock exchanges have been established and are successfully operating in the world. The history of stock exchanges goes back more than 50 years. Exchanges established both in the middle of the 19th century and at the end of the 20th century are currently operating. London, New York, Hong Kong, and Frankfurt stock exchanges can be cited as examples of the world's leading stock exchanges.

2. Literature review.

Burenin (2011) justified the characteristics of the development of the stock market and the

directions of development of term transactions in the stock market [1].

M. Eskindarov and Zvonova (2019) conducted research on the composition of the world stock market and its development trends, increasing the role of international financial organizations in the regulation of the world stock market, and modern trends in the development of operations in the stock market [2].

Kott, Murray and Blok (2010) researched the ways of introducing new instruments to ensure the development of the stock market and effectively organizing the circulation of securities [3].

A. Hailemariam and Guotai (2014) identified the important aspects of the development of the modern stock market and developed recommendations regarding the wide use of stock market opportunities in ensuring economic growth, including attracting investments through this market [4].

Masoud (2013) conducted research on ensuring stable economic growth through the development of the stock market and increasing the effectiveness of the stock market in

increasing the investment potential, as well as increasing the volume of capital turnover based on the mutual coordination of the activities of the participants of this market [5].

Butikov (2019) researched the national stock market and ways of its development, the important aspects of improving the stock market, and the main directions of ensuring the integration of the stock market into foreign stock markets [6].

Sh.Shoha'zami (2011) conducted scientific research on the methodological foundations of the strategic development of the stock market of Uzbekistan and the improvement of the stock market regulatory system [7].

According to J. Ataniyazov and S. Narimonov the inclusion of JSC in the official stock exchange listing indicates a certain level of reliability and financial stability of these companies, and the constant disclosure of information about them increases the confidence of investors in making investments [8].

The formation of international financial centers and its recognition at the world level expand the scope of activity of JSC and their resource bases were carried out by E. Alimardonov [9].

3. Research methodology.

In the article, research methods such as induction and deduction, systematic and comparative analysis, and economic and statistical methods are used to develop scientific conclusions and proposals for the development of the "Tashkent" stock exchange.

4. Analysis and results.

The London Stock Exchange (LSE) is part of the international stock exchanges, and 50% of international stock trading takes place through this exchange. On this exchange, the main securities are traded in pounds sterling. The London Stock Exchange is divided into two:

Main (companies that meet the requirements of the UK Financial Conduct Authority are accepted);

Alternative (relatively less demanding, intended for young companies to enter the market).

The main market is a stock exchange platform for large companies, and as of April 2023, 1,918 JSC were registered on the stock exchange

listing [10]. Total market capitalization is £3.18 trillion as of August 2023 [11]. JSC listed on the main market rise to the level of leading international corporations and attract the attention of investors who want to invest in these JSC. The market's high, but not too strict, standards make it attractive to companies and investors.

Alternative Investment Market (AIM) is an exchange platform for emerging companies. Since its launch in 1995, it has become the world's fastest-growing market, enabling more than 2,000 companies to raise over £20 billion. At the heart of AIM's success is a streamlined regulatory framework tailored to the needs of small and emerging JSC.

The New York Stock Exchange (NYSE) is one of the largest stock exchanges in the world, based in the United States. The famous Dow Jones index (Dow Jones Industrial Average), designed for shares of industrial companies, was created on this stock exchange. On this exchange, the main securities are traded in US dollars. The exchange has five trading platforms:

1) NYSE, the world's largest stock exchange with high liquidity. This exchange requires that the average market capitalization of the joint-stock company should be higher than 1.4 billion dollars.

2) NYSE Euronext, the world's first international exchange, was created by merging the French, Dutch, Belgian, and Portuguese stock exchanges into a single trading platform. The average market capitalization of a company that wants to be listed on this exchange should be 119 million dollars.

3) NYSE Amex is the leading US stock exchange for small and mid-cap growth companies. The average market capitalization of the company on this exchange should be 35 million dollars.

4) NYSE Alternext, a common European trading platform for small and medium-sized companies. The average market capitalization of the company on this exchange should be 20 million dollars.

5) NYSE Arca is a fully electronic marketplace for high-growth companies that can initially list on NYSE Arca and transition seamlessly to NYSE once all site requirements are met. This site has

two listing standards: local and international [11].

The main conditions for membership in the NYSE are as follows:

1) The minimum amount of the IPO is 100 million dollars (60 million dollars in the first IPO), the value of open shares for sale in the international market is 2.5 million dollars, and 1.1 million dollars for the domestic market;

2) pre-tax profit for the last three years, according to the local standard is 10 million dollars, according to the world standard is 100 million dollars; and the minimum annual pre-tax profit for the last two years, according to the world standard is 25 million dollars, according to the local standard is 2 million dollars.

3) according to local and international standards, the market capitalization should not be less than 500 million dollars; earn \$100 million in revenue over the past 12 months; have a cash flow of at least 25 million dollars in the last 3 years according to the local standard and 100 million dollars according to the international; and according to the international standard the cash flow for the last 2 years worldwide should not be less than 25 million dollars.

4) According to local and international standards, the market capitalization should not be less than 750 million dollars, or \$75 million in revenue in the last 12 months.

NASDAQ is the world's largest electronic stock exchange. About 3,200 companies have been listed there, and about 10 percent of them belong to foreign issuers. NASDAQ-listed companies are leaders in business sectors such as technology, retail, communications, financial services, transportation, media services, and biotechnology. More than 50 percent of the shares listed on the NASDAQ exchange are traded only on this exchange [11].

In the late 1980s and 1990s, NASDAQ emerged as a competitor to the NYSE. In 1992, the electronic exchange was allowed to trade while most American exchanges were still closed. This led to increased trading volume on the NASDAQ and allowed traders to trade during European market hours. In addition, for high-growth companies that do not meet the strict requirements of a NYSE listing, NASDAQ has

helped companies raise the capital they need to operate and expand their businesses. NASDAQ has caused huge changes in the activities of companies operating in the field of communication and information technologies all over the world.

Since the mid-1990s, there has been fierce competition between the NYSE and the NASDAQ to host IPOs of both US and foreign companies. Most of them chose NASDAQ as the stock exchange to organize IPOs. In order to remedy the situation, the NYSE even opened an office near Silicon Valley to attract young high-tech companies. In order to attract foreign companies, the NYSE introduced a new stock quotation system in 2000, which was the first to replace fractions with decimals in accordance with the practice established on world exchanges. In the late 1990s, it doubled its advertising spending, building on its long history and reputation. However, arguments that the NYSE had lost its power and that the auction mechanism it used was obsolete continued into the early 21st century. It is the trading format that is the main difference between the NYSE and NASDAQ. The trading system of the NYSE is based on the activity of professional dealers who select buy and sell orders that match each other in terms of price, while in the NASDAQ this work is done through electronic systems. 82% of all companies going public since 1992 have traded on NASDAQ. 69% of all international companies entering the US market used the services of this exchange.

Hong Kong Stock Exchange (HK Stock Exchange). The stock exchange ranks 7th in terms of the capitalization of listed companies [11]. The trading currencies are Hong Kong and US dollars. Companies can list their shares in one of two stock markets: the primary market and the market for growth companies.

An issuer to be listed on the main market must meet one of three criteria:

1) To have a profit of at least 6.4 million dollars during the last 3 years and at least 2.6 million dollars in the last year, the market capitalization must be at least 26 million dollars.

2) Market capitalization should be higher than 513 million dollars; earning at least 64 million dollars for the last year;

3) Market capitalization is higher than 256 million dollars; earn at least 64 million dollars in revenue for the most recent year; have a positive cash flow from operating activities of at least 13 million dollars over the past 3 years.

The general requirements for listing on the main market are as follows:

1) Reporting for the previous 3 years in accordance with IFRS or US GAAP.

2) Continuity of management for the past 3 years.

3) Continuity of ownership and control of the company for the last audited year.

4) having at least 25 percent of the shares in state ownership.

The requirements for listing in the market for growth enterprises are as follows:

1) Market capitalization should be higher than 13 million dollars.

2) Have a positive cash flow from core activities of at least 2.6 million dollars over the past 2 years.

3) reporting in accordance with IFRS or US GAAP (if the company is already listed or simultaneously listed on the NYSE or NASDAQ).

4) State-owned shares should be more than 25 percent.

5) Continuity of management for the past 2 years.

6) Continuity of ownership and control of the company for the previous financial year.

Frankfurt Stock Exchange (Frankfurter Wertpapierbörse, abbreviated FWB) is the largest stock exchange in Germany and one of the largest stock exchanges in the world. The trading currency is the euro. Since January 1, 2003, issuers can be listed on the Frankfurt Stock Exchange in one of two segments regulated by EU regulations: General Standard and Prime Standard. In addition, issuers have the option of listing on the Frankfurt Stock Exchange, which is regulated by the exchange itself, as well as in one of two segments: the entry standard and the first quotation board. The requirements for listing in the general standard category are as follows:

1) The company must operate for at least three years.

2) The number of shares must be at least 10,000, and at least 25 percent of them must be in free circulation.

3) The expected value of shares put into circulation on the stock exchange should be at least 1.25 million euros.

4) The company must provide a prospectus in English and German containing sufficient information to enable investors to correctly assess the value of the company's securities.

The prospectus must also include financial statements prepared in accordance with IFRS for the last three financial years, as well as the management report for the last year. To qualify for the more prestigious Prime Standard, a company must meet additional periodic disclosure requirements, including:

1) Publication of quarterly reports in accordance with international standards (GAAP or IFRS), financial calendar.

2) Holding a conference for financial analysts at least once a year.

5. Conclusion.

Three of the major stock exchanges listed above (LSE, NYSE, and FWB) are not members of the World Federation of Exchanges. These three stock exchanges have high capital turnover and are the most developed stock exchanges in the world. The NASDAQ and Hong Kong stock exchanges have a slightly lower level of development, and their main activity is focused on the development of young companies. Membership in the World Federation of Exchanges organization of the Tashkent Stock Exchange has the following positive aspects:

Promotes the dissemination of best practices in the financial services industry;

Frequently holds forums, discussions and conferences where industry participants discuss important issues in the structure of the financial market and give own advices;

Investors can find information on the total market capitalization of companies listed on various stock exchanges and securities issued worldwide in the WFE publication guides.

Maintains a database of initial public offerings (IPOs) conducted on member exchanges and other.

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