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THE ROLE OF EXCHANGE ACTIVITY IN INFRASTRUCTURAL CAPACITY FINANCIAL MARKET OF UKRAINE IMPLEMENTATION

- A** The relevance of article is defined by leadership development of the securities market in the implementation of the financial market financial market infrastructural capacity. The purpose of the article is to evaluate the role of exchange activity in the implementation of the financial market infrastructural capacity. The proportion of stock trading in GDP and in total amounts of securities trading is analyzed. The stock exchange activity in Ukraine was estimated. Weaknesses in the securities market infrastructure which hinder the realization of financial market infrastructural capacity are defined. The ways of implementation financial market capacity infrastructure are suggested.
- B** Financial market, exchange, exchange activity, listing, infrastructure capacity.

РОЛЬ БІРЖОВОЇ АКТИВНОСТІ В РЕАЛІЗАЦІЇ ІНФРАСТРУКТУРНОГО ПОТЕНЦІАЛУ ФІНАНСОВОГО РИНКУ УКРАЇНИ

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- A** Актуальність статті зумовлена провідною роллю розвитку ринку цінних паперів у реалізації інфраструктурного потенціалу фінансового ринку. Метою статті є оцінка ролі біржової активності в реалізації інфраструктурного потенціалу фінансового ринку. Проаналізовано частку біржової торгівлі у ВВП та в загальних обсягах торгів цінними паперами. Дана оцінка біржовій активності в Україні. Виявлені слабкі місця в інфраструктурі ринку цінних паперів, які гальмують реалізацію інфраструктурного потенціалу фінансового ринку. Визначено напрями реалізації інфраструктурного потенціалу фінансового ринку України.
- B** Фінансовий ринок, біржа, біржова активність, лістинг, інфраструктурний потенціал.

РОЛЬ БИРЖЕВОЙ АКТИВНОСТИ В РЕАЛИЗАЦИИ ИНФРАСТРУКТУРНОГО ПОТЕНЦИАЛА ФИНАНСОВОГО РЫНКА УКРАИНЫ

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- A** Актуальность статьи обусловлена ведущей ролью развития рынка ценных бумаг в реализации инфраструктурного потенциала финансового рынка. Целью статьи является оценка роли биржевой активности в реализации инфраструктурного потенциала финансового рынка. Проанализирована доля биржевой торговли в ВВП и в общих объемах торгов ценными бумагами. Дана оценка биржевой активности в Украине. Выявлены слабые места в инфраструктуре рынка ценных бумаг, которые тормозят реализацию инфраструктурного потенциала финансового рынка. Определены направления реализации инфраструктурного потенциала финансового рынка Украины.
- B** Финансовый рынок, биржа, биржевая активность, листинг, инфраструктурный потенциал.

Introduction

Development of stock exchange activity is one of the key factors the financial market infrastructure capacity development. The stock exchange has long turned conventional platforms for the implementation of securities trading on the powerful mediators, who has an impact on the market equilibrium. Their information about capitalization, listed companies, price is important to investors. Development of stock exchange activity in the securities market infrastructure building will facilitate information transparency and availability. It will help to increase the list of financial instruments, to create the preferable conditions for capital transferring.

The importance of the stock exchange activity development in the context of the economy growth is discussed by many domestic and foreign scientists. So, L. Primostka pointed the importance of the

development of trading derivatives financial instruments [2, p. 21-24]. V. Krainiy explores international trends in the development of the securities market and its infrastructure explores international trends in the development of the securities market and its infrastructure [1, p. 89-92]. The role of the securities market development and its effect on investment activity is revealed in the works of S. Samets, O. Ikonnikov, [4, p. 244-252] and P. Rose [9]. Various aspects of the functioning of the securities market infrastructure components and their impact on the financial market development are examined in the works of I. Shkolnik and S. Cherviakova [5, p. 15-19], I. Goldstein, E. Ozdenoren and K. Yuan [6, c. 566-582], T. Jenkinson and H. Jones [7], A. Ljungqvist and W. Qian [8]. However, the problem of the relationship between the dynamics of stock exchange activity and the infrastructure of a securities market development need further research.

The aim of the article is evaluation of the role of the stock exchange activity in the implementation of the financial market infrastructure capacity.

Explanation of the main part. Dynamics stock activity is a key indicator of the stock market development. Stock markets are an integral part of the financial market infrastructure, therefore intensifying their activity contributes to the implementation of capacity infrastructure securities market. In addition, the development of exchange activity is accompanied by new financial instruments. It also contributes to the emergence of new services, development of new forms financial intermediation that encourages the development of financial market infrastructure.

Dynamics of exchange activity depends on the economic situation in the country and it is one of the indicators of economic stability. The Ukrainian economy is currently characterized by instability, determined by the internal and external shocks that affected the dynamics of exchange activity (figure 1).

As can be seen from the graphs presented in Fig. 1, the share of trading on the stock market goes down. This situation become a trend since the fall in 2013, thus it can be assumed that the main reason of that is the deteriorating economic and political situation in the country. The securities market is extremely sensitive to such shocks as investors firstly respond to any economic and political challenges and reluctant to invest in risky economies.

During the study period in Ukraine there were 10 officially trade organizations. This number cannot be considered sufficient for the Ukrainian economy, but the efficiency of trade organizations is low. In fact, of the 10 active trade exchanges carried out only three. The largest share of signed exchange agreements (76.98%) signed in 2015 in the stock

exchange “Perspective”, 18.58% was in exchange PFTS, 2.34% was in the Ukrainian Exchange. Stock exchanges “Inneks” and UMFБ concluded agreements 5 million UAH during the year. That is less than 0.01% in total amount. It should be noted that the stock exchange “Perspective” traded almost all types of financial instruments, PFTS did not trade derivatives and other stock exchanges mostly traded shares, bonds and investment certificates. Thus, the platform for trading financial instruments was created, but it did not help to disclose the infrastructure capacity.

During the investigated period the dynamics of securities issues has changed (table. 1).

According to the data presented in Table 1, the share of securities admitted to trading on stock exchanges does not change radically. It had a tendency to increase till 2014, the studied indicator again decreased in 2015. The low share of securities admitted to listing reflects not only the weakness of domestic issuers, but also the shortcomings in the infrastructure of the securities market. It is permissible to expand the listing, but with the increasing quality requirements for disclosure. The share of unlisted securities is shown in Fig. 2.

As can be seen from the graphs presented in figure 2, the share of unlisted shares and corporate bonds have a slow upward trend. Shares exceed 80% and bonds exceed 60%, this situation is reflecting the weakness of the domestic securities market. A decrease in the share of unlisted deposit certificates can be assessed positively.

The low proportion of listed securities is not conducive to the development of financial market infrastructure capacity, since in this situation there are no preconditions for the creation of new financial instruments. Investors are also not interested to bid because

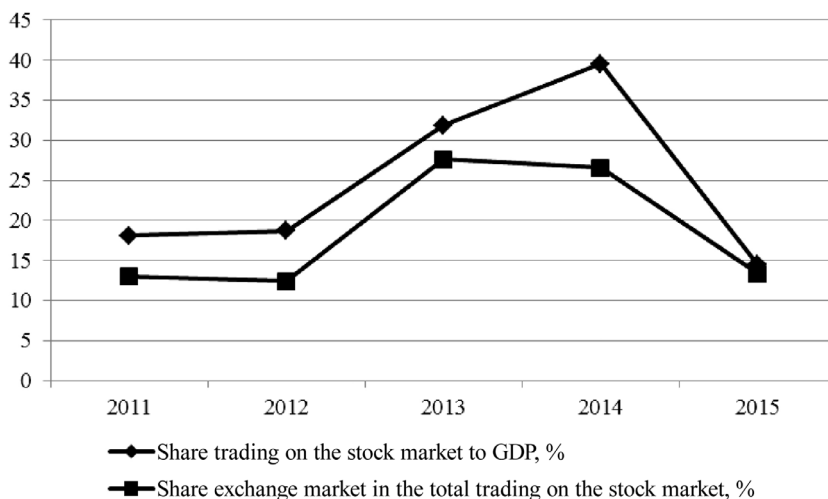


Figure 1. Share trading on the stock market in GDP and in total trading on the stock market

Source: created by author based on the Report of National commission of securities and stock market

TRENDS FOR THE ADMISSION OF SECURITIES TO TRADING ON THE STOCK MARKET IN UKRAINE IN YEARS 2011-2015

Table 1

INDICATORS	2011	2012	2013	2014	2015
Number of securities that are traded on the stock market, units	21990	22512	22128	20479	20850
Number of securities that are traded on stock exchanges, units	1785	2447	2802	2829	2442
The share of securities that are traded on stock exchanges, %	8,12	10,87	12,66	13,81	11,71
Number of securities that are not traded on stock exchanges, units	20205	20065	19326	17650	18428
The share of securities that are not traded on stock exchanges, units	91,88	89,13	87,34	86,19	88,29

Source: created by author based on the Report of National commission of securities and stock market

of the limited number of financial instruments due to uncertainty in the financial market vectors as exchange activity is one of those indicators that actually characterize the level of economic stability.

It should be noted that the low activity of the stock exchanges, a limited number of financial instruments, the low share of listed financial instruments are not the only problems that hinder the implementation of infrastructure capacity in the securities market. Another significant problem is the low capitalization of domestic listed companies (Fig. 3)

The graph at figure 3 shows that the market capitalization of listed companies in 2011 amounted to 13.66% (this figure is low), gradually increased till

2014, and in 2015 fell sharply to 3.21%. The capitalization of listed companies shows the ratio of the total securities value to GDP. The sharp drop in capitalization in 2015 is explained by the sharp decline in the value of securities of domestic companies due to the aggravation of the armed conflict in the east of the country and through large-scale economic crisis. Even before the crisis, the study index was at a low level. In its economic essence capitalization indicates the future expectations of investors about future profits of the company. This may explain the growth of the studied parameters in 2014, when investors' expectations were due to the rapid reorientation towards integration with the

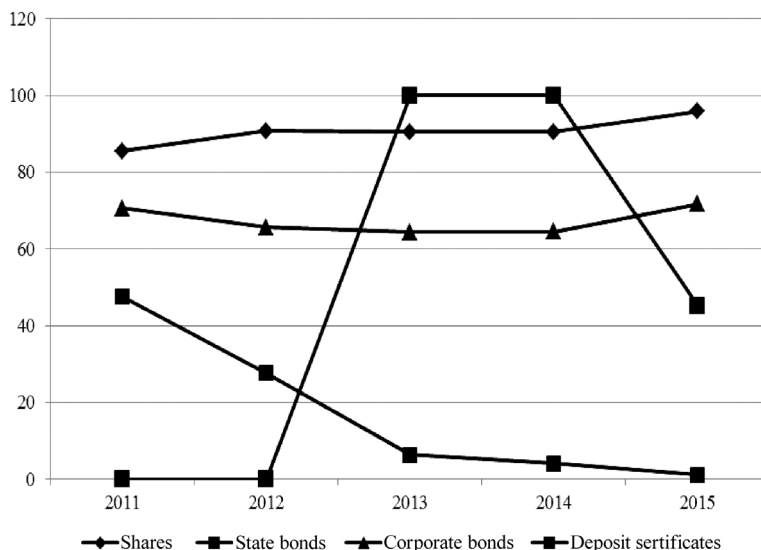


Figure 2. The share of unlisted securities on the stock market of Ukraine in years 2011-2015.

Source: created by author based on the Report of National commission of securities and stock market

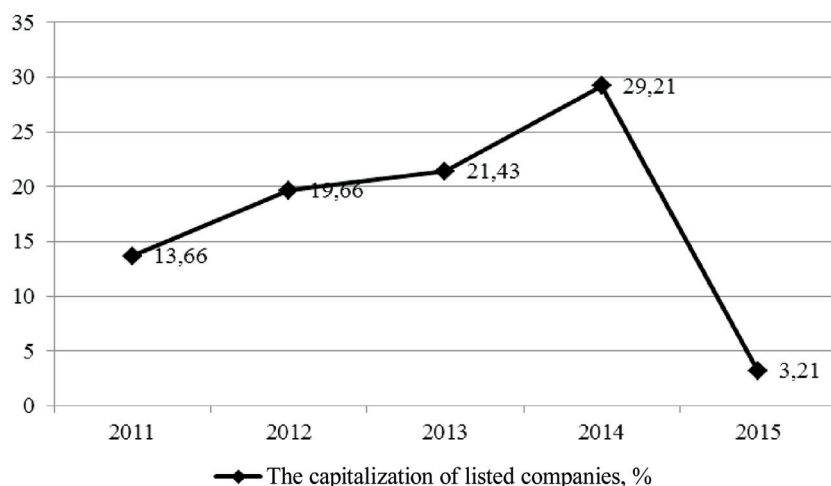


Figure 3. The capitalization of listed companies in Ukraine in years 2011-2015.

Source: created by author based on the Report of National commission of securities and stock market

EU and get on this quick effect. Expectations were not fulfilled, because the depth of the fall was more than it could be. It should be noted that the return of public confidence is one of the key conditions for the implementation of infrastructure capacity of the securities market.

In contrast, the derivatives transactions mainly represented in the stock market (table 2).

As can be seen from the data in table 2, the OTC derivatives market is virtually nonexistent, almost all derivatives transactions carried out in stock exchanges. This situation also does not contribute to the development of financial market infrastructure capacity. The lack of OTC derivatives market reduces the possibility hedging. In turn, this is not conducive to the development of hedging instruments and hedge fund activities which could soften the blows of financial crises.

Conclusions

Results of the study showed a low level of stock activity in the main trading financial instruments and the absence of the OTC derivatives market. Companies which securities are admitted to listing have a

low level of capitalization, which fell sharply in 2015. These factors do not contribute to the financial market infrastructure capacity development due to lack of investor interest in transactions on the domestic securities market. In fact, the limited number of financial instruments and the opacity of incomplete information about the securities market hinder the development of new infrastructure of the financial market and generate ideas for new financial services. The main ways of implementing infrastructural capacity of the financial market in terms of solving the problem of exchange activity are:

- reducing the number of stock exchanges and nomination stringent requirements on their performance;
- expanding the list of listed simultaneous introduction of requirements for full and transparent disclosure of issuers;
- the introduction of personal responsibility of officials issuing for incomplete disclosure of the issuer activities;
- balancing trade exchange and OTC derivatives to create favorable conditions for the new financial instruments and new financial services creation.

THE DYNAMICS OF TRADING DERIVATIVES IN UKRAINE IN 2011-2015., BLN. UAH

Table 2

INDICATORS	2011	2012	2013	2014	2015
The volume of trading on the OTC market	0,16	0,14	0,00	0,01	0,05
The volume of trading on the stock market	23,82	24,77	18,01	9,59	5,83
Total	23,98	24,91	18,01	9,60	5,87

Source: created by author based on the Report of National commission of securities and stock market

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Submitted: 11.04.2016