

## Prospects of Commercial Banks in The Securities Market

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**Abstract:** This article analyzes the activities of commercial banks in the securities market in the digital economy and the prospects for its development. With the introduction of digital technologies, financial markets are undergoing changes that require a review of banks' position in the stock market. The paper discussed how to improve the efficiency of securities banking operations using innovative tools such as digital assets, blockchain technology and smart contracts. He also analyzed the risks arising in the digitization process, in particular cybersecurity issues, as well as problems related to digital infrastructure. As a result, it was noted that the activities of commercial banks in the securities market in the digital economy may expand in the future, opening up new prospects in this area.

**Keywords:** Digital Economy, Stock Market, Financial Markets, Commercial Banks, Investment Portfolios, Digital Assets



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### 1. Introduction

The process of digital transformation of the Global economy has a significant impact on the functioning of financial markets and commercial banks. Especially as a result of the development of the securities market and the large-scale introduction of the digital economy, the role of commercial banks in this market and their financial mediation opportunities are further expanding. In the context of the digital economy, the participation of commercial banks in the securities market also makes it possible to digitize banks' own internal operations, as well as more efficiently carry out services related to securities in the market.[1]

The development of the digital economy has created new opportunities and prospects for commercial banks. The functioning of banks in a digitized environment allows them to issue new types of securities, sell them and offer them to customers. At the same time, this process provides opportunities for the securities market to conduct transactions based on new mechanisms and digital assets. In particular, innovative solutions such as blockchain technology and smart contracts are one of the important factors for commercial banks to automate securities-related processes and make them more transparent and effective.[2]

### 2. Materials and Method

Under these conditions, the role of commercial banks in the securities market is undergoing changes. First, commercial banks act as investors and financial intermediaries, which occupy an important place in the process of depositing, selling and purchasing securities. Secondly, commercial banks

play an important role in ensuring liquidity in the securities market and in the development of market infrastructure. Banks play an effective role in managing the flow of financial resources by acting as intermediaries between investors and corporate clients.[3]

Commercial banks take the field in international financial practice not only as financial institutions that carry out investment and emission operations in the securities market, but also play an important role in this market as a "financial channel" that attracts financial funds from investors, especially from the population, and effectively redistributes them.[4] Currently, the securities market is one of the most developed areas among global trading platforms, in which thousands of companies operate every day. At the same time, individuals enter their shares by investing their funds in this market in order to obtain economic benefits. Thus, at the current stage of the globalization process, this issue is becoming increasingly relevant not only at the local level, but also internationally.[5]

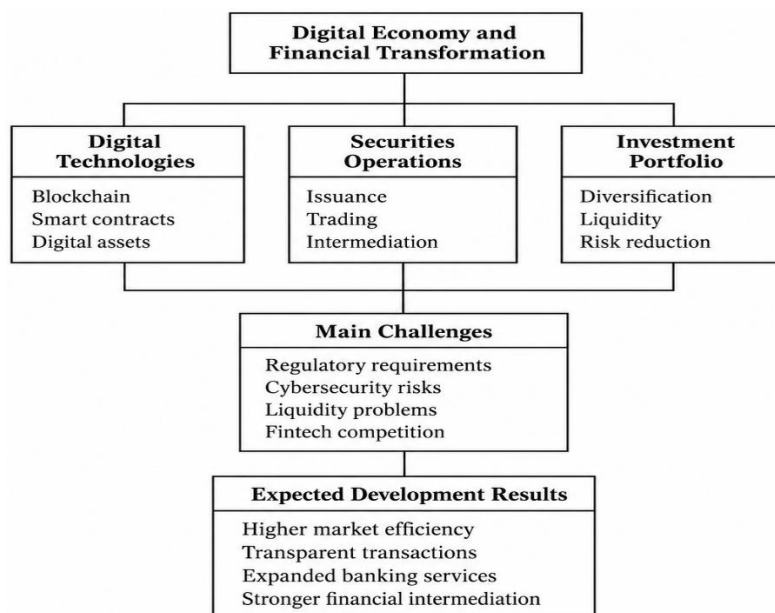
### 3. Results and Discussion

The activities of commercial banks in the Securities Market form an important component of the financial system. They will be able to expand their capital base, manage liquidity and diversify their investment portfolios through securities transactions. However, there are a number of problems in this process that can prevent banks from operating effectively.[6]

#### Legal and regulatory problems

There are many laws and regulations to regulate the activities of banks in the securities market, both at the state and international level.[7] These regulatory challenges pose a double challenge for banks:

Changes in legislation, the legislative system regarding the securities market in countries is complex and often volatile, which in turn creates great uncertainties for banks.[8] For example, regulatory measures in the United States and the European Union, including compliance such as the Dodd-Frank Act, Basel III compliance, are a huge burden for banks and require large amounts of resources from them. The Figure 1. new rules will have a serious impact on banks ' operations, as they must carry out activities in the securities market in a legally correct way. Since each country has its own rules of regulation, banks must carry out additional costs to adapt to different laws when operating internationally.[9]



**Figure 1.** Prospects for the Development of Commercial Banks' Activities in the Securities Market in the Digital Economy[10]

Compliance costs require banks to invest heavily to comply with laws governing their activities in the securities market. Such costs include the development of technological investments, Legal Advisory Services, Internal audit and control systems necessary to ensure compliance. Especially for small and medium-sized banks, these costs can be a big burden. At the same time, due to the complexity of compliance processes, the emergence of new players in the securities market becomes more difficult, which can limit competition.[11]

### **Risk Management Problems:**

The securities market can be a great source of profit for banks, but this market has its own risks.[12] Banks face a number of challenges in managing these risks:

- Market risks are associated with changes in the price of securities, which can negatively affect the investment portfolios of banks. For example, a sharp decrease in the price of shares or a change in the interest rates of bonds can lead to huge losses for banks. During periods of high market volatility, such as in the context of an economic crisis or political instability, these risks increase even more. Banks in this case seek to reduce risks by diversifying their portfolios, but this is not always enough.[13]
- Liquidity risks are due to the inability of banks to quickly convert their assets into cash. Some securities are low-liquid and may be unfit for rapid sale under market conditions. This is especially important in times of economic crisis, when sellers in the market increase and buyers decrease. As a result, banks may have difficulty securing their liquidity. Liquidity problems, in turn, can also affect the lending activities of banks.[14]
- Operational risks are associated with technological and process errors in the securities market of banks, which can cause significant harm to banks. For example, failures in computer systems, human errors or mismanagement decisions can lead to huge losses for banks. To reduce operational risks, banks need to strengthen internal control systems and implement modern technologies. Training and regular retraining of personnel is also instrumental in reducing operational risks.

### **Liquidity problems:**

Liquidity management is one of the important issues for banks. The securities market plays an important role in this process, but there are a number of problems:

There is not always sufficient liquidity in the securities market. Liquidity depends on the number of market participants, their activities and market conditions. In periods of economic crisis, liquidity decreases sharply, as investors tend to switch to safe assets, and the volume of trade in the securities market decreases. In this situation, banks may have difficulty securing liquidity because they cannot rapidly convert their assets into cash. This can adversely affect the overall liquidity situation of banks.[15]

## **5. Conclusion**

Banks buy a variety of securities to diversify their portfolios. However, not all of these securities are equally liquid. For example, shares issued by small companies or long-term bonds are considered low liquid. These securities may be unfit for rapid sale in market conditions, worsening the bank's liquidity situation. Banks need to pay close attention to liquidity when forming a portfolio, but this does not always provide economic efficiency. For this reason, banks can use other financial instruments, such as repo transactions, to ensure liquidity.

### **Competition and innovation challenges in the market:**

In recent years, technological development and the rise of fintech companies have led to the

emergence of new competitors for banks. These companies are competing banks in the securities market with the help of new technologies and innovative products. Fintech companies offer faster and cheaper services compared to banks, which increases their market share.

The analysis of the activities of commercial banks in the securities market and the prediction of its trade turnover in the future is an important economic process. This, of course, allows commercial banks to predict the state of their activities in the securities market for the next period, to have an appropriate idea of the state and development prospects of their investments in the Securities Market, emissions and intermediary operations, and to form financial conclusions.

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