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Activities and Specifics of Commercial Banks in the Securities Market

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Abstract

In this article, the activity shows the importance of banks in the processes of liquidity management, diversification of the investment portfolio, increasing profitability and customer service. The role of banks in the issuance, sale and repurchase of securities, as well as strategies for managing risks arising in the market, is analyzed.

Keywords: commercial banks, stock market, financial resources, liquidity, risk, deposit.

Introduction

Commercial banks are one of the main elements of the financial system and play an important role in the stability and development of the economy.[1] Banks not only issue loans and accept deposits, but also actively participate in the securities market. The stock market is the main platform for the effective allocation of financial resources, capital accumulation and expansion of investment opportunities.[2]

The activities of commercial banks in the securities market are very extensive and multifaceted and include processes such as their issuance, investment and mediation. These processes are an important tool for increasing banks' liquidity, income and risk management.[3]

Methodology

Also, activity in the securities market is one of the main areas of investment activity of banks, serving to ensure financial stability and provide customers with a wider range of financial services.[4] In carrying out these activities, commercial banks use government bonds, corporate bonds, stocks and other financial instruments.[5]

The activity of commercial banks in the securities market is a multifaceted and complex system, including several main areas: issuing, investment, and brokerage operations. Each of these areas is of great strategic importance for banks, contributing to improving their overall financial stability and profitability.[6]

The issuing operations of commercial banks in the securities market include the process of issuing financial instruments and selling them.[7] These operations allow banks to raise capital and channel it into various sectors of the economy. Issuing operations are becoming important for banks not only to attract new financial resources, but also to ensure their liquidity and capital adequacy.[8]

Result and Discussion

During the issuance process, banks often issue securities such as stocks and bonds. Shares allow the bank to own a share in the capital, while bonds establish a relationship between the borrower and the lender as debt obligations.[9] The denominations and the number of issue-grade securities are determined on the basis of clearly defined legislative norms, which is an important factor in the legal and regulatory framework of banks' activities.[10] At the same time, the entry of securities into the market and their distribution among investors requires important strategic decisions for banks. These processes serve to increase the financial stability of the bank, strengthen relations with investors, and strengthen its position as an active market participant.[11]

Figure 1. Investment operations of commercial banks in the securities market are carried out by investing their own funds in various financial instruments. These operations are a long-term source of income for banks, allowing them to diversify their investment portfolio and reduce risks.[12]

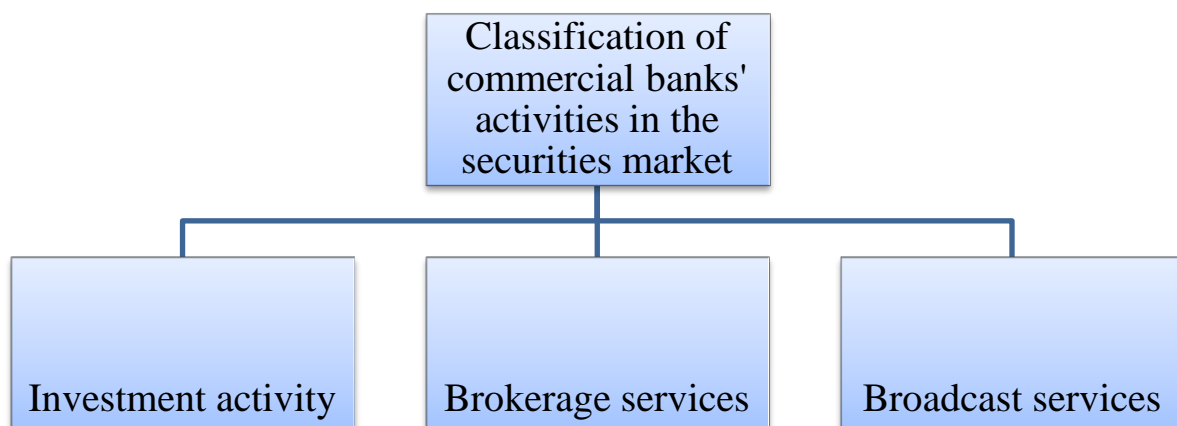


Figure 1. Classification of the activities of the securities market of commercial banks [13]

-Investment activity: commercial banks make direct investments in securities, that is, they try to earn income by buying or selling securities.

- Brokerage services: banks carry out the processes of buying and selling securities for clients. In this process, banks act as intermediaries for customers in exchange for a commission or service fee.[14]

- Issuance services: banks participate in the issuance (issue) of securities for corporations or the government. They are engaged in the organization of this process, the placement and sale of

securities.[15]

Conclusion

In the course of investment operations, commercial banks buy stocks, bonds and other securities, receiving income from the growth of their market value. This activity also contributes to improving the overall financial stability of banks, as it contributes to the efficient allocation of financial resources and capital growth. In addition, when managing their investment portfolio, banks strive to reduce risks by diversifying risks, that is, maintaining a balance between financial instruments. This makes it possible to optimize the level of profitability of banks and direct financial resources in the most effective directions.

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