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CENTRAL BANK OPEN MARKET POLICY

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Abstract
The monetary and credit system is one of the indispensable and stable directions of the economy of every country. This article describes in detail the policy of the Central Bank in the open market.

Keywords: monetary and credit system, financial and economic crisis, budget funds, regulation of the economy, global crisis, etc.

The ongoing world financial and economic crisis has had a serious impact on the financial and banking system of the countries of the world and the activities of real sector enterprises. Eliminating the consequences of this negative impact caused significant changes in the content and tactical goals of the budget, fiscal and monetary policies. In this process, the formation of an active monetary and credit policy implemented by the Central Bank plays an important role. The reason for this is that, firstly, the monetary policy has a direct impact on the stability of macroeconomic growth; secondly, the monetary and credit policy allows to restore the current liquidity and solvency of banks that have lost their liquidity due to the global crisis; thirdly, the Central Bank has a direct influence on the level of inflation through monetary policy. It is known that the monetary policy of the country is considered as the most important indicator of economic regulation. Each country conducts monetary and credit control to maintain its macroeconomic indicators in a stable manner. Monetary and credit control includes mechanisms of the economy controlled by the state. This policy determines the supply and demand for money, the money supply, interest rates, the scope of lending and several other indicators that help determine the value of the national currency. The means of regulating the economy through monetary and credit instruments are extremely diverse. It is worth noting that until now there is no single direction on the classification of monetary and credit instruments. However, at the same time, most scientists note the following tools as the main instruments of monetary policy:

1) Account rates policy;
2) Mandatory reserves policy;
3) Open market operations policy;
4) Currency policy.

These methods are considered the main methods recognized in the practice of world banks, and their application may be different in each country. For example, in the USA, more open market methods are used, while in Germany, more mandatory reserves are used. At present, the Central Bank of Uzbekistan mainly uses the instrument of mandatory reserves to regulate the money supply in circulation. According to the Law of the Republic of Uzbekistan "On the Central Bank", the strategic goals of the Central Bank are to fight against the infrastructure that ensures the stability of the banking system and payment systems [1]. In order to achieve this strategic goal, the inflation target and the growth rate of money supply are used as tactical goals of monetary policy. At the moment, there are urgent issues related to the improvement of monetary policy in Uzbekistan. Current problems include high rates of growth of money supply and devaluation of the national currency, low level of money supply to the economy, high interest rates on loans of commercial banks in national currency. In turn, finding a scientifically correct solution to current problems related to the improvement of monetary policy requires studying the principles of leading monetary concepts and evaluating their practical significance. The founder of monetary theory of monetarism is M. Friedman, professor of the University of Chicago, winner of the Nobel Prize. M. Fridman was the first in the economic literature to scientifically justify the need to set the annual growth of money supply as a strict indicator and make the process of its achievement an object of control by the Central Bank. According to his conclusion, the growth of the money supply should be based on a stable increase in the price of the final product over a long period of time. A number of principles from leading monetary concepts are put into practice. In particular, the principle of controlling the growth rate of money supply of the monetary theory of monetarism is used as a tactical goal of monetary circulation in many countries of the world. The results of the monetary policy of the United States, Japan and France to limit the growth of the money supply showed that this measure eventually leads to a decrease in the rate of production, a decrease in the supply of goods and services, but price stability is achieved. M. Friedman's scientific conclusion that the change in money supply is not due to changes in the economic situation has not been proven in practice. According to M. Friedman's theory of monetarism, the demand for money does not decrease in proportion to the growth of cash balances and nominal income, but remains unchanged. Because every change in money supply affects not only the level of investment, but also the volume of personal consumption. The volume of personal consumption, in turn, varies proportionally to the dynamics of nominal income. As a result, for each individual period taken, the demand for money remains constant, while the supply of money is constantly changing. This conclusion has been proven in the practice of many countries of the world.

Another important issue in the improvement of the monetary policy conducted by the Central Bank of the Republic of Uzbekistan is the high level of required reserves. The reserve requirement set by the Central Bank for foreign currency deposits of commercial banks is 14%. This is a very high rate, on top of which the amount of reserves required for deposits in foreign currency is converted into soums at the national exchange rate, and "Nostro" was removed from the representative account of banks in soums. As a result, it has a strong adverse effect on the liquidity of commercial banks. liquidity of commercial banks. The amount of necessary reserves can be left in the correspondent account of commercial banks. In order to improve monetary policy by applying the principles of leading monetary and credit concepts in the practice of Uzbekistan, the following measures should be implemented: 1. In order to improve the practice of using monetary policy instruments, first of all, the ratio of reserves required for foreign currency deposits of commercial banks to deposits in national currency should be implemented. it is necessary to reduce the reserve ratio to the level required by; secondly, it is necessary to increase the volume of operations of the Central Bank in the open market by issuing its duties and government securities; thirdly, it is necessary to form a special reserve fund in order to eliminate the risk of a sharp increase in interest rates on loans as a result of the increase in the demand for credit resources; fourth, the Central Bank should control changes in interest rates through REPO auctions. 2. To increase the level of cash supply of the economy by stimulating credit expansion of commercial banks, first of all, it is necessary to ensure the stability of nominal interest rates on loans of commercial banks; secondly, it is necessary to increase the ability of the central bank to influence the interest rates on loans of commercial banks through open market operations by increasing the volume of government securities by implementing a fiscal policy aimed at stimulating general demand; thirdly, in order to improve the resource provision of commercial banks' loans, commercial banks should be allowed to use only the stable balance of transaction deposits.

The open market is the Central Bank's operations of buying and selling government securities in the secondary market. Open market purchases are paid by the Central Bank by increasing the reserve account of the selling bank. The total money reserves of the banking system increases, which in turn leads to an increase in the money supply. Central bank sales of securities on the open market have the opposite effect: banks' total reserves decrease and, other things being equal, the money supply decreases. Since the central bank is the largest open market dealer, the increase in the volume of trading operations leads to changes in the price and income of securities. Therefore, the Central Bank can influence interest rates in this way. The Central Bank can control the volume of operations;

- transactions are very accurate, bank reserves can be changed to any amount;
- transactions are reversible, as any error can be corrected by a reverse operation;
- the market is liquid and transaction speed is high and not subject to administrative delays.

In the open market, central banks use two main types of operations: direct transactions - purchase and sale of securities with immediate delivery. Interest rates are set at auction.

The use of open market operations depends on the level of development of the government securities market, the institutional environment and the level of liquidity. As an analogue of open market operations, the Bank of Russia also uses currency interventions. Currency intervention is the purchase and sale of foreign currency in the domestic market in order to increase or sterilize the money supply. They affect the exchange rate of the ruble against the dollar. The sale of dollars by the Central Bank leads to an increase in the ruble rate, and the purchase - to its fall. If the Central Bank implements foreign exchange interventions to correct short-term fluctuations in the exchange rate, then it loses control over bank reserves and, accordingly, the money supply. In addition to currency interventions, the Bank of Russia plans to use a more flexible tool - currency swaps. Currency swaps are foreign exchange transactions on terms of immediate delivery with a simultaneous reverse forward transaction. They allow adjusting the liquidity level of the foreign exchange market without creating additional pressure on the ruble exchange rate. Bank refinancing is a tool of monetary policy, and when the Central Bank gives a loan to a bank, the bank's account with the Central Bank is credited. The passive part of the balance sheet of the Central Bank is increasing, and the total reserves in the banking system are increasing. The assets of the Central Bank increase by the amount of the loan. As a result, an increase in refinancing increases the amount of borrowed reserves, the monetary base, and the money supply in the banking system, while a decrease decreases it.

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