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EFFECTIVE ORGANIZATION OF ISSUING AND OPERATION OF EUROBONDS

Pulatov Ulugbek Xapizovich
The degree of MBA in finance at Yeungnam university

Pulatova Shohista Boxodir kizi
Master degree of Namangan Institute of Engineering Technologies

Annotation:
Over the last three decades, the world capital market has developed, which is able to overcome the contradictions and inconveniences of national regulatory regimes, while ensuring constant monitoring of the quality of borrowers - this is the market of euro bonds and, first of all, euro bonds, represent its widest part. This article focuses on the history of Eurobonds, specific features of Eurobonds issuance and circulation.

Keywords: underwriters, eurobond, euromarket, foreign bonds, investors, ISMA, open market operations.

INTRODUCTION

A Eurobond is an international bond denominated in a foreign currency. They are also called external relations. They are usually divided into categories depending on the currency of issue: Eurodollar, Euroyen, etc.

Eurobonds are issued for placement between investors in different countries and therefore may be denominated in different currencies. About 50% of Eurobonds are issued in US dollars. At the same time, due to the integration processes in Europe, many countries started issuing Eurobonds denominated in Euro.

According to the most common opinion, the first issue of Eurobonds was made in July 1963 by the Italian road construction company Autostrade. A total of $60,250 worth of bonds were issued. Each bond pays a fixed interest rate of 5.5% annually beginning July 15. The lead managers of the loan are the English merchant bank S.G. Warburg & Co., managers (co-managers) - Banque de Bruxelles S.A., Deutsche Bank A.G., Rotterdamsche Bank N.V. The listing was obtained on the London Stock Exchange.

MATERIALS AND METHODS

Eurobonds are named after the currency in which they are denominated. For example, Euroyen and Eurodollar bonds are denominated in Japanese yen and US dollars, respectively. A Eurobond is a bond issued in a currency other than the legal tender of the country. It operates as a fixed income debt instrument or security in the Eurocurrency market and has a maturity of 5-30 years. These bonds have low interest rates and zero forex risk. Thus, it allows corporations to raise capital in foreign currency to expand internationally. The word euro in this term refers to the foreign currency in which the bonds are denominated. Hence, it is also known as foreign bond and derives its name from that currency. For example, a foreign bond issued in the US in Japanese yen will be a euro bond. Eurobonds attract companies with a small capital market and offer investors a variety of investment opportunities due to their small nominal value. Although this term contains the word "euro", it has nothing to do with Europe or its currency. It takes its name from the Euro-currency in which the bonds are denominated, such as Eurodollars, Euroyen, Europound bonds, etc. It also differs from the Eurobond, which begins with the capital letter "E" and is issued by the European Union and Eurozone countries [1].

RESULTS AND DISCUSSION

A foreign bond may be defined as an international bond sold by a foreign borrower but denominated in the currency of the country in which it is located. It is the national underwriting in the lending country (Underwriters are credit managers who guarantee payment of obligations even in the event of loss or bankruptcy. Banks and insurance companies are often underwriters. To issue new securities, a a syndicate of underwriters is formed from several such managers.) is written and sold by the syndicate. Thus, a US company can issue bonds on the London capital market underwritten by a British syndicate and denominated in sterling. The bond issue will be sold to investors in the UK capital market, where they will be quoted and traded. Foreign bonds issued outside the US are called Yankee bonds, and foreign bonds issued in Japan are called Samurai bonds. Canadian companies are the main floaters of foreign bonds in the US.

What is the difference between a Eurobond and a foreign bond? Eurobonds [2]:

• Issued in a non-national currency
• Exempt from government regulations

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• They are named after the euro currency they are denominated in, such as Eurodollars, Euroyen, Euroyuan, etc.

Foreign bonds

• Available in local currency

• Governed and controlled by regulations operating in the national market

• Have different names in different countries, for example, Yankee bonds in the United States, Kangaroo bonds in Australia, Bulldog bonds in the United Kingdom, etc.

A Eurobond can be defined as an international bond written by an international syndicate and traded in countries other than the country of the currency of issue. In the Eurobond market, the investor claims directly against the borrower, not against the financial institution. Eurobonds are typically issued by corporations and governments in need of safe, long-term funding and are sold to investors around the world through a geographically diverse group of banks. Eurobonds are similar to domestic bonds in that they can be issued with fixed or variable interest rates.

Characteristics of Eurobonds [3]:

1. The mode of issue is not a formal issue, but a placement, which avoids national regulations on new issues.
2. Eurobonds are placed simultaneously in many countries through syndicates of guarantor banks that sell them to their investment clients around the world.
3. Unlike foreign bonds, Eurobonds are sold in countries other than their nominal currency. Thus, dollar-denominated Eurobonds are traded outside the US.
4. Interest on Eurobonds is not taxable. Types of Eurobonds There are several types of Eurobonds:

Eurobonds differ from ordinary bonds in that, in addition to standard yield options in the form of speculation on the purchase and sale price and coupon yield, there is the possibility of profiting from currency differences. By investing in Eurobonds, you are essentially lending in a foreign currency. Your income depends on the currency quotes in the market. So you can make money on Eurobonds [4]:

- by selling at a higher price than you bought;
- receiving interest on loans (coupons);
- investing in a currency that will grow in the future against your country's currency.

As with other securities, Eurobonds come with risks and potential returns. Issuers may offer coupon rates based on their credit rating. The higher this rating of the company, that is, the more reliable it is, the smaller the coupon on the bond.

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However, given the appreciation of the currency, you can invest in a reliable issuer and ultimately earn good returns in the long run. Companies with a low credit rating offer higher interest on coupons. Correlation with maturity works the same way. The shorter the term, the lower the coupon rate. In contrast, long-term bonds guarantee you a higher percentage of return.

CONCLUSION

One of the development trends and specific features of the current Eurobonds market is the further improvement of relations between these market segments and the increasing integration processes of individual countries. Taking into account these features for the Eurobond market, and as a result of it, the use of combinations of traditional financial instruments and the formation of hybrid methods of attracting capital, in my opinion, a special approach to the method of financing the criterion is necessary. At the end of the article, some conclusions can be drawn based on the study of the Eurobond market. So, what does this new opportunity for organizations and municipalities to enter the world market promise?

First, there is much more money in the West. The volume and turnover of the Euro borrowing market is measured in trillions of dollars, and the amount of loans, as a rule, varies from several hundred to several billion dollars. In addition to European bonds, American and Asian investors can buy bonds in the secondary market, and this is another hundreds of billions of dollars.

Secondly, the bond loan, which is not very long by European standards (3-5 years), is considered long-term in our opinion, because it is impossible to even think about getting a loan from a local bank for such a period.

Thirdly, Eurocredit money is almost the cheapest. This is due to the size of the money supply in the world market and the fact that the banks buying Eurobonds have significantly less reserves for them than loans, that is, they buy them at a higher profit. The interest rate on bonds is determined by the credit rating of the issuer and cannot be higher than the rating of the government of its country. At the same time, one should not forget about the price factor. Access to the Eurobond market often allows issuers to have a price advantage relative to the base currency of their debt.

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