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Article

Prospects for Applying Foreign Experience in Factoring, Forfeiting and Futures Contracts to Minimize Financial Risks on Debt Instruments in Uzbekistan

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Abstract: This article analyzes foreign experience in using factoring, forfeiting, and futures contracts to minimize financial risks in Uzbekistan's debt instruments market. The study, employing comparative institutional analysis, generalization of international statistical data, and expert assessment methods, highlights the risk allocation and hedging functions of factoring, forfeiting, and futures mechanisms, and substantiates practical proposals for adapting them to Uzbekistan's conditions and introducing them in stages. The research examines international regulatory frameworks, institutional infrastructure, and international market practice, identifying best practices applicable to the local market. It also assesses the current readiness level of Uzbekistan's financial sector, possible barriers to implementation, and the expected impact on liquidity, risk reduction, and investor confidence. Practical proposals and recommendations have been formulated for the application of debt financial instruments on the Uzbekistan Commodity Exchange.

Keywords: Debt instruments, financial risk mitigation, factoring, forfaiting, futures contracts, hedging, counterparty risk, interest rate risk, foreign exchange risk, liquidity risk, derivatives market, export finance, foreign experience, emerging markets, regulatory framework.

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1. Introduction

The evolution of Uzbekistan's financial system in recent years has been characterized by quantitative growth and qualitative sophistication of the debt instruments market. Between 2023 and 2025, the issuance of government securities doubled from 21.3 trillion UZS to 42.2 trillion UZS [1], while the debt market-to-GDP ratio rose from 3% in 2022 to 6-7% by 2025 [2]. This growth reflects a tendency to rely on domestic-currency debt to finance the budget deficit and, at the same time, lays the groundwork for the formation of a domestic yield curve. However the market's quantitative expansion has not been accompanied by proportionate development of financial risk management instruments. In particular it is noted that derivative instruments on debt instruments, including futures contracts, are almost absent, and this is assessed as a factor reducing the attractiveness of Uzbekistan's capital market for foreign investors.

The problem of minimizing financial risks is not only an operational necessity for market participants but also a structural condition for macroeconomic stability. Risks associated with debt instruments cover several layers, such as counterparty insolvency, unexpected changes in interest rates, currency exchange rate fluctuations, and liquidity shortages. In Uzbekistan's conditions, yields on long-term government bonds remain in

the range of 16.5–18.5%, which indicates that investors are pricing in maturity and inflation risks [3]. Under such conditions, a simple buy-and-hold strategy for debt instruments becomes insufficient: mechanisms for exchanging, transferring, or distributing risks are required.

International financial practice has proven instruments for addressing this task, among which factoring, forfeiting, and futures contracts occupy a special place. Factoring strengthens enterprises' working capital by financing short-term receivables and transferring the associated payment risk to a financial agent [4,5]. Forfeiting, in turn, improves the exporter's balance sheet by discounting future receipts under large and long-term export contracts and transfers political and commercial risks to the forfeiter. Futures contracts make it possible to hedge against future fluctuations in market prices and reduce the sensitivity of a debt instruments portfolio to interest rate and currency risks. Together, these three instruments serve to form an integrated risk management system at various stages of debt relations—from short-term working capital to long-term investment decisions.

The level of application of these instruments in Uzbekistan's practice is uneven. Factoring is developing relatively rapidly: in 2025, the volume of factoring services reached 9.5 trillion UZS, of which 93% accounted for commercial banks, and 46% of operations were carried out on digital platforms. At the same time, although factoring penetration relative to GDP rose from 0.10% in 2024 to 0.51% in 2025, it remains significantly behind the 8-12% level in European countries [6]. Forfeiting, by contrast, is practically not used. According to foreign expert assessments, its level of application in Uzbekistan is "very low" and its potential in financing long-term export operations has not been fully unlocked. The legal foundations for futures contracts are only now being formed. Although in 2026 the procedure for local entrepreneurs to trade futures contracts on international commodity exchanges was approved, this mechanism mainly covers commodity risks, and a futures market for financial instruments has not yet taken shape.

Although the existing scholarly literature has separately examined the role of factoring and forfeiting in export finance, as well as the importance of derivatives in enhancing market liquidity, the function of these instruments in minimizing risks in the debt instruments market has not been analyzed systematically enough. Research on factoring is mainly limited to the liquidity of exporting enterprises and receivables management. Works on forfeiting are largely confined to describing its advantages as export credit, while issues of institutional adaptation to the conditions of the national debt market remain aside. Available sources on futures contracts, in turn, are mainly devoted to commodity derivatives or to general risk management theory. At the same time, outdated provisions in factoring legislation, in particular, the absence of conflict-of-laws rules on international factoring and the retention of old rules based on the 1988-year UNIDROIT Convention [7,8] indicate that direct transplantation of advanced foreign practice is not feasible. This situation gives rise to the need for a critical review of foreign experience and the development of a model adapted to national conditions.

Although research in foreign literature on reducing the risk level of debt instruments has been developed over a long period, the conditions for applying it in emerging market settings such as Uzbekistan have not been sufficiently studied.

Among foreign economists, Frank J. Fabozzi occupies a central place in the analysis of debt instruments and derivative markets. In his research on the mechanisms of resource reallocation through bond markets, debt instruments are substantiated as a means of ensuring the stability of the financial system: government and corporate bonds stimulate economic growth while also increasing liquidity in financial markets [9]. However, in J. Fabozzi and P. Drake's works on futures markets, they show that futures contracts, by exchanging price risk, reduce market participants' sensitivity to uncertainty about future prices [10]. These conclusions provide a theoretical basis for futures mechanisms in hedging Uzbekistan's debt instrument portfolio against interest rate and currency risks;

however, Fabozzi's analyses are constructed in the context of developed markets and require a mature national market infrastructure.

John C. Hull's fundamental work on derivatives elucidates the risk management function of futures contracts more precisely. Hull explains the payoff of a futures contract through the difference between the spot price and the clearing price, and emphasizes the need to maintain adequate margin requirements in order to manage mark-to-market risk [11]. His approach serves as a valuable theoretical basis for justifying the need to establish clearing infrastructure and guarantee funds in the development of a futures market in Uzbekistan.

Eric Bishop's research on international trade finance provides a comparative analysis of factoring and forfaiting as institutional tools for managing export credit risks. Bishop shows that forfaiting removes commercial and political risks from the seller's balance sheet by discounting long-term export receivables, whereas factoring provides liquidity by financing short-term receivables [12]. His work places particular emphasis on the distinction between forfaiting and factoring in terms of maturity and risk structure, which is an important criterion for assessing the potential of forfaiting in managing long-term debt obligations in the context of Uzbekistan. However, E. Bishop's analyses are constructed from the perspective of exporting enterprises, leaving aside the risk allocation mechanisms for participants in the debt instruments market, namely issuers and investors.

Among Uzbek economists, Bobobekov Farhod Rustamovich has focused on comparing factoring practice with international experience and identifying the institutional constraints of the national market. His research analyzes the international normative-legal documents on factoring, the integration of commercial banks with international factoring companies, and global factoring turnover [13]. Bobobekov identifies cooperation with major international associations in the field of factoring as an important direction for addressing problems in the national market.

Overall, while foreign literature has covered the risk management function of factoring, forfaiting and futures contracts in sufficient depth, this knowledge has been formulated for the institutional environment of developed markets. Although national literature has examined individual aspects of factoring and debt instruments, there is virtually no research that combines the three instruments into a single risk minimization system and assesses the conditions for their adaptation to Uzbekistan's debt market.

2. Research methodology

This study aims to comprehensively examine foreign experience in using factoring, forfaiting and futures contracts to minimize financial risks in Uzbekistan's debt instruments market. The research is based on a combination of qualitative and quantitative approaches. Initially, the theoretical foundations of risks associated with debt instruments and their manifestation in the national market were analyzed. For this purpose, methods of abstract-logical reasoning, induction and deduction were employed. In addition, a quantitative analysis of the size, composition and risk management infrastructure of the derivatives market was carried out based on statistical data from the Bank for International Settlements, ISDA and the Central Bank of the Republic of Uzbekistan. In the final stage, foreign practices of factoring, forfaiting and futures contracts were studied using the method of comparative institutional analysis, and their degree of compatibility with national conditions was assessed. In examining the legal framework, the method of systematic analysis of normative-legal documents was applied. To ensure the reliability of the research, data from various sources were cross-compared, and the conclusions were substantiated with empirical indicators.

3. Analysis and results

The international practice of factoring and forfaiting demonstrates varying degrees of compatibility with Uzbekistan's conditions. Globally, factoring turnover exceeds $4 trillion annually and accounts for 8-12% of GDP in European countries. In Uzbekistan,

however, the volume of factoring services reached 9.5 trillion soum in 2025, amounting to only 0.51% of GDP. This gap indicates that the potential of factoring has not yet been fully realized. As for forfaiting, international practice shows its widespread use in financing long-term export operations, whereas in Uzbekistan this instrument is almost never applied. In the domestic market, the situation with futures contracts shows that practice in these instruments has not yet fully taken shape. At a time when the global Interest Rate Derivatives (IRD) market stands at $669.5 trillion [14], the fact that Uzbekistan has yet to develop a financial futures market points to the existence of untapped opportunities.

Table 1. Comparative analysis of risk management instruments

No.	Instrument	Global market indicators USD	As % of GDP	Situation in Uzbekistan USD	As % of GDP
1	Factoring	4 trln	3.5–4	791 mln	0.51
2	Forfaiting	15.2 bil	0.01–0.015	Almost never used	0
3	Futures contracts	669.5 trln	600–700	3 mln	0.002

As can be seen from Table 1, the degree of compatibility of the three instruments with Uzbekistan's conditions is not the same. For factoring, the legal and institutional foundations are relatively well established. The factoring services market is actively offered by commercial banks, and the share of digital platforms has reached 46 percent. However, the persistence of old rules based on outdated provisions in factoring legislation shows that direct transfer of advanced foreign practice is not possible. Therefore, the application of foreign experience in factoring should be carried out together with the updating of legal norms.

In international practice, the forfaiting instrument improves the exporter's balance sheet by discounting future receivables under long-term export contracts and transfers political and commercial risks to the forfaiter. In Uzbekistan, the use of forfaiting is very low, and its potential has not been fully realized. The main reasons for this are the absence of specialized forfaiting institutions, limited integration with international forfaiting companies, and the conservative approach of the banking system in financing long-term export operations. Therefore, it is advisable to apply foreign experience in introducing forfaiting by strengthening the activities of the export credit agency and integrating with international forfaiting networks.

The degree of compatibility of futures contracts is low, which is explained by the complexity of this instrument and the high infrastructure requirements. In international practice, the clearing rate for IRD contracts was 64.9 percent, and for CDS it was 54.0 percent. Clearing infrastructure embodies the existence of a central counterparty, an initial margin system and guarantee funds and is a necessary condition for the stable functioning of the futures market. In Uzbekistan, such infrastructure has not yet been formed. Nevertheless, the approval in 2026 of the procedure for local entrepreneurs to trade futures contracts on international commodity exchanges will serve as a first step. This mechanism currently covers mainly commodity risks, but it can be used as institutional experience for forming a financial futures market.

An analysis of Table 1 shows that the degree of compatibility of factoring, forfaiting and futures contracts with Uzbekistan's conditions is not the same. Although the legal and institutional foundations for factoring are relatively well established, outdated provisions in legislation hinder the direct transfer of foreign practice. Forfaiting is almost never used; its potential can be unlocked through integration with the export credit agency and international forfaiting networks. As for futures contracts, infrastructure requirements are high, and without clearing, a central counterparty and a margin system, the market will not function stably. Therefore, the three instruments cannot be introduced simultaneously and in the same form; they must be tested step by step in a specific market venue. From this perspective, the Uzbek Commodity Exchange serves as a convenient testing ground.

The Uzbek Commodity Exchange, as an important link in the country's organized trading infrastructure, ensures price formation, contract performance and information transparency for trading participants. The conclusion of transactions for raw materials and commodity resources on the exchange directly affects the working capital of local enterprises. For instruments in the debt market, exchange trading can serve as a reliable source of information about the creditworthiness, payment discipline and future revenues of participants. By linking factoring and forfaiting mechanisms specifically to exchange trading, the assessment of receivables and export revenues becomes easier, while futures trading enables hedging of price risks. This turns the exchange into an important link connecting the debt instruments market with risk management infrastructure. On this basis, Table 2 formulates specific proposals for introducing the three instruments in exchange trading.

Table 2. Proposals for introducing factoring, forfaiting and futures contracts on the Uzbek Commodity Exchange

Financial instrument	Proposal	Outcome
Factoring	Apply an "agency factoring" mechanism based on the principles of trade credit, which ensures financing of buyers' purchases of raw materials in commodity exchange trading with a deferred payment term of up to 90 days	This mechanism has created an opportunity for buyers participating in exchange trading to purchase raw materials without placing an additional financial burden on their working capital
Forfaiting	As part of improving the methodology of debt instruments in the financial market, apply a mechanism for purchasing long-term debt obligations through forfaiting on the basis of discounted letters of credit in Uzbekistan's export practice	This mechanism enables exporting enterprises to receive proceeds early on goods sold with a deferred payment term
Futures	An institutional mechanism for regulating settlements under futures contracts that ensures the access of local economic entities to the international commodity derivatives market	An institutional basis will be created for local enterprises to hedge price risks arising from changes in international exchange prices and to participate in the international derivatives market

The table presents three specific proposals for introducing factoring, forfaiting and futures contracts on the Uzbek Commodity Exchange, together with their expected outcomes, in a systematic form. Each financial instrument is tailored to the specific needs of exchange trading participants.

The proposal on factoring envisages the introduction of an "agency factoring" mechanism based on the principles of trade credit. This mechanism allows buyers to purchase raw materials with a deferred payment term of up to 90 days. As a result, buyers obtain the raw materials needed for production without placing an additional financial burden on their working capital. This proposal is particularly important for enterprises with seasonal production and long production cycles.

The proposal on forfaiting focuses on applying a mechanism for purchasing long-term debt obligations on the basis of discounted letters of credit. This enables exporting enterprises to receive proceeds early on goods sold with a deferred payment term. At the same time, forfaiting removes commercial and political risks from the exporter's balance sheet, which strengthens the financial stability of the enterprise.

The proposal on futures envisages the formation of an institutional mechanism that ensures the access of local economic entities to the international commodity derivatives market. This mechanism creates an institutional basis for local enterprises to hedge price risks arising from changes in international exchange prices and to participate in the international derivatives market. The President of the Republic of Uzbekistan has also

signed a relevant law on the procedure for local entrepreneurs to trade futures contracts on international commodity exchanges[15].

Overall, the three proposals in the table complement each other. Factoring provides short-term liquidity, forfaiting protects long-term export revenues, and futures enable the management of price risks. This approach serves to form an integrated risk management system for exchange trading participants.

4. Conclusion

As a result of the research conducted on the topic Prospects for applying foreign experience in factoring, forfeiting and futures contracts to minimize financial risks on debt instruments in Uzbekistan, the following conclusions were formulated.

Financial risks in Uzbekistan's debt instruments market are associated with counterparty insolvency, liquidity shortages, and fluctuations in interest rates and exchange rates. Factoring strengthens working capital by financing short-term receivables and transferring payment risk to a financial agent. The relatively high ratios of factoring to GDP in international practice indicate that the potential of this instrument in the national market has not yet been fully realized.

Forfaiting improves the exporter's balance sheet by discounting long-term export receivables and transferring commercial and political risks to the forfaiter. In Uzbekistan, this instrument is almost never used. Therefore, it is advisable to introduce forfaiting gradually, based on strengthening the activities of the export credit agency and integrating with international forfaiting networks.

Futures contracts make it possible to hedge interest rate and exchange rate risks. Data from the Bank for International Settlements confirm that netting and clearing mechanisms in the derivatives market significantly reduce risks. To form a financial futures market in Uzbekistan, it is necessary to create a central counterparty, a margin system, and guarantee funds.

By applying factoring, forfaiting and futures contracts as a complementary system, harmonizing the legal framework with international standards, and strengthening institutional infrastructure, it is possible to minimize financial risks on debt instruments. In doing so, what matters is not a mechanical transfer of foreign experience but its adaptation to the conditions of the national market.

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