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LEGAL ANALYSIS OF THE LAW OF THE REPUBLIC OF UZBEKISTAN “ON PAYMENTS AND PAYMENT SYSTEM”

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Abstract. This paper examines Uzbekistan's legislation governing payments and payment systems, Law No. LRU-578, enacted on November 1, 2019. It provides background on the law's objectives of regulating relationships around payment services among individuals and entities. The aim is to assess key provisions concerning system operators, participant roles, licensing, risk management, settlement finality, electronic money, security protocols, and Central Bank oversight. Methodologically, the law's text is reviewed to summarize directives and elucidate concepts. Results detail defined terms, system categorization, operator functions, settlement irrevocability, licensing procedures, electronic currency parameters, risk mitigation, incident reporting, and non-compliance penalties. While underscoring integrity, efficiency, and oversight of payment systems, certain technology-based transactions are excluded. Recommendations include ensuring comprehensive coverage in line with global frameworks, emphasizing consumer protection, and addressing emerging electronic platforms. As digital payments growth accelerates globally, analysis of Uzbekistan's updated legal basis and directions for further strengthening are pertinent.

Keywords: payment system, consumer protection, Central Bank of Uzbekistan, financial regulation, electronic platforms, licensing.

Introduction

Financial systems worldwide are undergoing rapid digitization, with electronic payments forming the backbone of economic activities. As growing digital connectivity transforms commerce and banking, updated legal frameworks attuned to technological changes are vital for securing transactions, upholding rights, and fostering innovation [1]. This necessitates comprehensive legislation aligned to global standards that encourages secure electronic payment solutions through appropriate oversight and risk management protocols [2]. In this context, Uzbekistan enacted a new law, No. LRU-578, concerning payments and payment systems on November 1, 2019, after its adoption by parliament [3]. This law aims to systematically regulate relationships around payment services between individuals, legal entities, and financial institutions. It establishes clear directives for governance, licensing, operations, settlement finality, risk mitigation, and dispute resolution to ensure the integrity, efficiency, and resilience of payment systems [4].

However, certain aspects merit further attention. With cryptocurrencies and decentralized finance gaining traction globally, their absence from regulatory purview could pose risks if publically adopted. Moreover, while emphasizing security, questions around flexibility for ongoing innovation and adequate consumer safeguards need addressing. As electronic money issuance increases through state and banking channels, associated implications also warrant examination [5]. This paper analyzes Uzbekistan's Payment and Payment System Law No. LRU-578 to assess its adequacy amidst the digital transition. It reviews definitions, system classifications, risk management protocols, reporting processes, and penalties for regulatory gaps. The law's fit with international payment frameworks and coverage of emerging transaction modalities are evaluated [6].

Aspects like licensing, settlement irrevocability, electronic currency parameters, information security, confidentiality safeguards, and consumer protection are focus areas. Recommendations identify areas for regulatory enhancement and tighter protocols, suggesting how greater comprehensiveness could be achieved. When Uzbekistan implements this law, insights for strengthening its effectiveness are pertinent, along with scopes for improvement based on global approaches. With e-commerce and cashless initiatives expanding nationwide, a future-ready payments law equipping stakeholders through robustness and agility is indispensable. This paper aims to support those ends through its analysis [7].

Materials and methods

This study utilizes a qualitative legal doctrine-based approach to comprehensively review Uzbekistan's updated Payment and Payment System Law No. LRU-578. The primary data comprises the law's original text, obtained from official legal databases. A grounded theory-driven content analysis is applied to systematically code and inductively derive key categories related to payment system governance, licensing protocols, settlement finality, risk mitigation, and other integral topics [8]. Detailed qualitative notes identify legal definitions, operator roles, electronic money parameters, incident reporting duties, penalty provisions, and areas warranting further regulatory focus. The conceptual evolution of categories forms the basis for summarizing the law's overarching framework and evaluating its adequacy amidst the digital finance transition [9].

Secondary data from relevant scholarly articles, publications, and international payment system models contextualizes the analysis to assess the law's fit with global standards and coverage of emerging transaction modalities. Comparative analyses of frameworks from other jurisdictions inform suggestions

for enhancing the law's robustness [10]. The research outputs, summarized directives, elucidated concepts, and recommendations identify scopes for greater comprehensiveness in Uzbekistan's payment law ecosystem. The qualitative, doctrine-centered methodology grounds the study in primary legal sources while drawing analytical generalizability from secondary literature on modernizing financial regulation for the digital era. This facilitates an applied perspective on ensuring the payment law's effectiveness as a pivotal pillar of the country's cashless initiatives and e-commerce goals [11].

Research results

This analysis of the payment law reveals vital directives across system governance, licensing, operations, settlement finality, risk management, and security protocols. Clear definitions and strict licensing procedures ensure the regulated expansion of cashless platforms like electronic money. Irrevocable intra-system settlements uphold integrity. Stringent oversight procedures and penalties for non-compliance aim to fortify payment systems. However, the law omits cryptocurrencies and decentralized finance, which are gaining global traction [12]. It also does not mandate insurance mechanisms to compensate users for transaction errors or fraud. Interoperability frameworks enabling cross-platform operability could have been elucidated. A scope for tighter consumer protection protocols exists regarding grievance redressal, data privacy safeguards, and transaction liability limits [13].

The law signifies a strong foundation for systematic governance and the resilience of payment systems. However, its effectiveness hinges on formulating supplementary regulations addressing emerging transaction modalities, dynamic technological changes, and user safeguards. Fine-tuned licensing norms, cyber risk buffers, responsive customer care channels, and clear compensation models can make the law future-ready.

Advance planning for new technologies like blockchain and edging closer to global standards on rights and liabilities would strengthen the base for secure innovation [14].

Analysis of research results

This legislation in Uzbekistan on payments and payment systems elucidates the fundamental objectives and scope of its application. This law aims to regulate the relationships involved in payments and the provision of payment services among individuals and legal entities acting as both service providers and users. However, notably exempt from its purview are operations involving crypto-assets. Furthermore, this legislation comprises not only the present law but also additional legislative acts. In cases where international agreements of the Republic of Uzbekistan establish regulations differing from those outlined in domestic legislation concerning payments and payment systems, the rules articulated in the international treaty take precedence [15].

The fundamental concepts within the law governing payments and payment systems in Uzbekistan. It comprehensively defines key terms such as beneficiaries, valuation dates, identification methods, clearing processes, remote service systems, operational days, initiators, payment agents, instruments, and organizations involved in payment services. It elaborates on the intricate details of payment procedures, including the roles and responsibilities of various entities in executing and facilitating transactions, encompassing a wide array of financial operations within the payment services market, ensuring clarity and regulation for both individuals and legal entities involved in financial transactions in Uzbekistan.

The concept of a payment system encompasses the intricate network of relationships facilitating financial transactions through the collaboration of payment system operators, participants within the system, and/or payment

institutions. This collaboration is established through the implementation of procedures, infrastructure, and regulations stipulated by the payment system operator. Participants within this system primarily consist of banks engaged in settlements, having entered into agreements with the payment system operator to partake in the functionality and operations of the payment system. Their involvement forms the backbone of the system, ensuring its functionality and efficacy in facilitating various financial transactions.

The payment systems in Uzbekistan are categorized into significant payment systems and other payment systems. The Central Bank of Uzbekistan identifies a payment system as significant when its seamless operation contributes to the stable functioning of the country's payment service market, while interruptions or failures in its operation could pose risks to this market. Furthermore, a payment system is considered significant if it holds a market share exceeding values set by the Central Bank for that specific market or if payments within Uzbekistan amount to figures established by the Central Bank over the course of a year. Payment systems that do not fall within the criteria outlined in the second and third sections of this article are classified as other payment systems.

The law in Uzbekistan pertaining to payment systems designates an 'operator of a payment system' as a legal entity responsible for facilitating the functionality of such systems within the country. This entity holds the exclusive right to the use of terms like 'payment system' or any derivatives in its name or trademarks, specifically indicating its involvement in ensuring the operation of payment systems. As outlined in the regulations set by the Central Bank, the operator's responsibilities encompass establishing system rules, monitoring participant compliance, processing payment and informational messages, executing directives, managing

infrastructure, ensuring information security, and granting equal and transparent access to system services for all participants. Moreover, the operator is mandated to include its license number when providing information about the payment system, as specified in the licensing guidelines stipulated by the Central Bank.

The outlined provisions for payment system rules are comprehensive, encompassing the operational procedures of the payment system, including payment execution methods and message formats, along with risk management systems. Additionally, these rules delineate participant involvement criteria, interaction protocols between system members and operators, procedures for payment order revocation, and the resolution of participant insolvency. Notably, the rules emphasize information security compliance and outline measures applicable to violators. The prohibition against imposing restrictions on participant engagement in other payment systems or servicing other payment systems, except by infrastructure personnel, highlights the necessity for fair and open participation.

The risk management system within a payment system delineates procedures for risk identification, monitoring, and control, ensuring seamless functionality and encompassing a recovery plan for the payment system operator. Risk management methods within this system are determined by the operator, considering the intricacies of the payment system's organization, risk management model, clearing and settlement procedures, volume, and value of monetary transfers, along with the final settlement time. These methods may involve setting limits on participants' obligations, establishing a reserve fund in a designated bank account, prioritizing order execution by payment system participants, conducting settlements within the working day and within participants' provided monetary limits, and facilitating the provision of credit where

necessary, ensuring a comprehensive approach to risk mitigation and system stability.

The responsibilities incumbent upon a significant payment system operator beyond those delineated in Article 7 of this law. These encompass a comprehensive assessment of participants' and users' satisfaction with the service quality offered, the establishment of a feedback mechanism, and the annual publication of performance analysis results on the operator's official website. Additionally, the operator must conduct self-evaluations, form a risk management body using at least two risk management methods, and define internal protocols for risk management, effectiveness criteria, and pre-litigation dispute resolution procedures. All documents referenced herein are mandated to be promptly disclosed on the operator's official website within three working days following their approval.

The self-assessment of a significant payment system's functionality encompasses a range of measures undertaken by the operator of said system to ascertain its compliance with the requirements of the current law and international standards. Conducted no less than once every three years, this evaluation scrutinizes the system's alignment with international standards. Following this assessment, the operator is mandated to submit the findings to the Central Bank and publish them on their official website within three working days of completion. This transparent process ensures regulatory compliance and transparency in the functioning of the significant payment system, fostering trust and accountability within the financial landscape (Article 11).

According to the stipulations outlined, payments within the payment system are deemed concluded upon the credited funds' receipt by the participant for whom the payments are made. Payments directed into the payment system by a participant prior to the receipt of decisions

from authorized governmental entities, suspending expenditure operations on a bank account, or imposing a freeze on the client's funds are irrevocable and definitive. These payments are bound for execution and finalization, emphasizing their non-reversibility despite subsequent governmental directives and ensuring their fulfillment and completion within the system's framework (Article 12).

The entities responsible for providing payment services encompass a spectrum of institutions within Uzbekistan, comprising the Central Bank, banks, payment organizations, payment agents, and payment sub-agents. However, it's notable that within this legislative framework, banks are expressly differentiated from the roles of payment organizations, agents, and sub-agents. Despite their involvement in financial transactions, banks, under the present law, are delineated separately and distinctively, excluding them from being classified within the realms of payment organizations, agents, or sub-agents. This demarcation signifies a clear legislative distinction between the functions and responsibilities of banks and those designated specifically for entities involved in payment services (Article 13).

The outlined payment services encompass a wide spectrum of financial activities, including the receipt and processing of payments via bank accounts, handling cash for credit to both accounts and third-party beneficiaries, executing payments without necessitating the payer to open a bank account, issuing and redeeming electronic funds, issuing bank cards, processing electronic money and card transactions, managing electronic payments, and transmitting essential payment-related data to banks. Conversely, excluded from these services are cash transfers between payers and recipients without payment service provider involvement, currency collection, foreign currency exchange operations without opening a bank account, and

facilitating informational and technological interactions among legal entities, individual entrepreneurs, and payment service providers during fund transfers without third-party involvement in received payments (Article 14).

The provision of payment services in Uzbekistan is governed by specific regulations, encompassing entities like the Central Bank, banks, and designated payment organizations. Users of these services have the right to utilize remote service systems offered by their payment service provider or opt for alternate providers, provided the latter meet technical prerequisites and ensure information security. Notably, offering payment services within the country requires Central Bank licensing, except for payment agents and subagents. Payment organizations can act as agents or subagents based on agreements, with an obligation to disclose their licensing number when communicating about their operations, ensuring compliance within the regulatory framework (Article 15).

The outlined provisions regarding payment service agreements in Uzbekistan establish a clear framework between users and payment service providers. These agreements, whether in the form of public offers or contracts, mandate comprehensive inclusions such as delineating payment service types, their timelines, associated fees and commissions, protective measures against unauthorized transactions, terms for service denial, resolution procedures for disputes, and compensation protocols for unjustified refusals or mishandling of user directives. Crucially, providers are barred from unilaterally increasing commission rates stipulated at the contract's inception, except for international transaction fees, which demand prior user notification according to the contract's terms. Additionally, the agreements allow for supplementary clauses essential for facilitating these payment services (Article 16).

The obligations and limitations of payment service providers in Uzbekistan. It mandates adherence to the terms stipulated in the user's payment service directive, prohibiting alterations to these conditions by the service provider. Furthermore, the provider is restricted from initiating payments without the user's directive and must furnish comprehensive information regarding commission fees before rendering services. Additionally, stringent measures are imposed, including stringent user verification processes, data retention for up to five years post-service, and safeguarding user identification data. Providers must issue a document confirming service provision, meeting standards set by the Central Bank. Confidentiality of payment-related information is mandated, barring specific circumstances as defined in Uzbekistan's Banking Secrecy Law (Article 17).

The legislation in Uzbekistan governing payment organizations stipulates a strict limitation on engaging in activities unrelated to payment services. However, this restriction exempts specific activities outlined within the law. These exceptions include provisions for advertising, marketing, consulting, and informational services, along with software development, adaptation, and technical support. Additionally, services related to information and communication technologies, data processing, network security, cryptographic information protection tools, postal services, and microfinance institution activities are also exempt. Notably, if these exempted activities fall within the category requiring licensing, payment organizations must obtain the requisite licenses to conduct these operations lawfully. This legal framework aims to regulate and oversee the diversification of services while ensuring compliance within the payment industry (Article 18).

The authority is granted to banks and payment organizations in providing payment services through appointed

agents and sub-agents. Such services must adhere to specific criteria, including service provision under the bank or organization's name, furnishing users with documentation verifying the service rendered and its pertinent details, as well as the collection of compensation as per agreed terms. Users must receive prior information detailing service locations, agent or sub-agent contact information, bank or organization licensing numbers, and associated fees. Banks maintain registries of these agents and sub-agents, ensuring compliance with the terms of their service contracts. Additionally, banks and organizations share service information, agent, and sub-agent details with the Central Bank, jointly bearing responsibility for the obligations of these agents and sub-agents toward users of the payment services (Article 19).

The outlined directives within the state policy concerning payments and payment systems in Uzbekistan delineate a multifaceted approach. Foremost is the assurance of the rights, freedoms, and lawful interests of both providers and consumers of payment services. This initiative aligns with fostering an environment conducive to the evolution of payment service systems while simultaneously aiming to enhance the quality of the services rendered. Furthermore, the policy underscores substantial support for the advancement of non-cash payment systems, emphasizing the nation's commitment to facilitating and promoting the realm of cashless transactions. These directives collectively signify a comprehensive strategy aimed at fortifying the efficiency, accessibility, and integrity of the payment landscape in Uzbekistan (Article 20).

The excerpt details the regulatory framework established by the Central Bank of Uzbekistan to ensure the effective and secure functioning of payment systems within the country. The Bank oversees various aspects, including licensing operators and payment organizations,

supervising their activities, maintaining registries, and enforcing compliance through sanctions. Additionally, it sets guidelines for interbank payment systems, determines rules for electronic money issuance and usage, and establishes security protocols for banking systems. Collaborating with international financial institutions and regulatory bodies is also highlighted to enhance supervisory practices for international payment systems operating within Uzbekistan (Article 21).

The licensing requirements for banks and non-banking entities intending to engage as payment system operators. Applicants, including banks and non-banking organizations, are mandated to submit a comprehensive set of documents and plans, encompassing governance decisions, business development strategies for payment systems, financial statements, risk management frameworks, and security protocols. The Central Bank undertakes a meticulous review, making a decision within thirty days of the submission. Upon approval, the licensed operator's details are recorded in the Payment System Operators Registry. Rejections can occur due to inadequate documentation or non-compliance, with provisions for resubmission upon rectification within a two-month window. Furthermore, operators must promptly notify the Central Bank of any changes, ensuring timely updates in the Registry (Article 22).

The Central Bank holds the authority to revoke a payment system operator's license under several circumstances. These include instances where the operator initiates the license withdrawal, when a bank, acting as a payment system operator, loses its banking operations license, or upon the liquidation or cessation of the operator's activities due to reorganization. Revocation can also occur if the operator fails to conduct business for over a year post-licensing or violates regulatory requirements persistently or severely. The Central Bank must notify the operator of

the license revocation, with the license returning to the bank within ten days for annulment. Public disclosure via media channels and the Central Bank's website follows the decision, which terminates the license's validity from the revocation date. Legal recourse in court is available, and if the revocation is deemed unjustified, the Central Bank is liable for any incurred damages to the licensee. The Central Bank determines the process and timelines for payment operations upon revocation (Article 23).

The process for obtaining a license as a payment organization in Uzbekistan mandates entities to submit a formal application to the Central Bank, along with various essential documents. These documents encompass a comprehensive business plan spanning two calendar years, proof of payment for the application review, financial statements, details of interactions with payment system operators, information about stakeholders and their capital contributions, executive team particulars with supporting documents, risk management systems, security measures including fraud prevention and user data protection, compliance policies for anti-money laundering, terrorism financing, and arms proliferation laws. The Central Bank commits to a 30-day timeline for assessing the application and documents while simultaneously coordinating the interaction protocol with payment system participants. Upon decision, the Central Bank promptly notifies the applicant within three working days and updates the Payment Organizations Registry accordingly. Refusals are issued if documents are incomplete or contain falsified information; however, rectification allows resubmission within two months for reconsideration without additional fees. Mandatory updates to the Central Bank regarding organizational changes ensure swift registry updates within three working days (Article 24).

The Central Bank reserves the authority to revoke a payment organization's license

under specific circumstances outlined in this provision. These grounds encompass instances where the payment organization requests license revocation, undergoes liquidation, fails to operate within a year of receiving the license, or violates payment system operator requirements outlined by the current law. Additionally, the illegitimacy of the Central Bank's licensing decision can prompt license withdrawal. Once the Central Bank makes the revocation decision, it must be handed over to the payment organization's management, initiating a ten-day period for the license to be returned and destroyed. Any such revocation is publicly disclosed through mass media channels and the Central Bank's official website within a day of its decision. Prohibited from providing payment services post-revocation, the organization has a month to remove the term "payment organization" from its name. Any disagreement with the Central Bank's decision can be appealed in court, holding the Central Bank liable for damages if the revocation is deemed unjustified (Article 25).

The legislation in Uzbekistan governing the reorganization of payment organizations, encompassing mergers, acquisitions, divisions, separations, and transformations, mandates that such actions require a decision by the founders (or participants) of the organization, communicated with notification to the Central Bank. This decision entails a comprehensive submission of documents: the reorganization resolution, detailed descriptions of the terms, forms, procedures, and timelines involved, a financial forecast outlining the aftermath of the reorganization, an audit report complying with auditing legislation, a business plan for the resultant organization over the next two calendar years, and a strategy for interaction with payment system participants. Following document submission, the Central Bank holds the authority, within fifteen working days, to

issue written recommendations based on the information provided by the payment organization. Additionally, the reorganizing payment organizations are obliged to publicly announce the ongoing reorganization within fifteen calendar days of submitting information to the Central Bank, including dissemination through mass media channels and their official websites. Licensing for the organization formed post-reorganization adheres to the requirements outlined in the prevailing legislation (Article 26).

The directive outlines stringent criteria for executives leading payment system operators and organizations in Uzbekistan. Mandating a minimum of a bachelor's degree and a two-year background in either the banking-financial sector or information-communication technologies, these leaders must uphold an impeccable professional reputation. Proficiency in risk management, decision-making within their authority, and possessing the necessary expertise are pivotal. The Central Bank holds the authority to issue directives for replacement should these leaders fall short of the stipulated qualifications. However, such directives remain subject to legal challenge in court (Article 27).

The Central Bank exercises stringent oversight over the functionality of payment systems, involving a comprehensive range of responsibilities. It actively requests and obtains information from payment system operators and organizations, encompassing data that often includes sensitive personal details. The Bank further delineates the frameworks and timelines within which these entities must furnish reports on system operations, outlining the methodology for report compilation. Rigorous analysis of the provided operational information is conducted by the Bank, supplemented by periodic inspections into the activities of these operators and organizations. Any infringement of payment legislation prompts the imposition of measures or sanctions

against the operators and organizations, with the Central Bank entrusted to define the precise protocols governing this oversight of payment system functionality (Article 28).

The outlined regulations grant the Central Bank the authority to conduct annual inspections on payment system operators and payment organizations, with provisions for unscheduled inspections in cases of significant system disruptions. Inspections may cover specific issues or encompass a comprehensive review. Central Bank representatives are empowered to scrutinize documents, request explanations, access operational premises, and obtain information from organizational information systems, excluding original electronic computing program texts. Upon completion, a detailed inspection report, including an overview of the entity's operations and identified breaches, along with supporting documentation, is compiled. Inspections are limited to a maximum duration of thirty days to ensure adherence to regulatory guidelines and operational integrity (Article 29).

The stipulated guidelines within Uzbekistan's payment and payment system legislation delineate a structured approach by the Central Bank to address infractions committed by payment system operators or organizations. Should these infractions, related to laws combating money laundering, terrorism financing, or the regulations governing payment systems, not directly impact the system's continuity, the Central Bank initially informs the management bodies in writing, outlining the violation and a minimum ten-working-day window for rectification. Recommendations for remedying the breach are also forwarded. However, if these breaches negatively impact the seamless operation of the payment system, the Central Bank issues directives for rectification, mandating a minimum ten-working-day period. Failure to comply leads to potential sanctions

ranging from fines up to five thousand times the base calculation amount to temporary suspension of specific payment services or operations, and in severe cases, a suspension of the operating license for a maximum of ten working days in accordance with the law (Article 30).

The Central Bank, in its oversight of payment system functionality, undertakes a comprehensive process involving the collection, organization, and analysis of payment system data. Specifically focusing on significant payment systems, it evaluates their alignment with international standards and the Central Bank's requirements. This evaluation serves as a basis for formulating recommendations aimed at enhancing the operations of these systems' operators and payment organizations. Additionally, the Central Bank ensures transparency by publishing an annual review detailing the observed results and insights gleaned from monitoring the operations of the payment systems. This systematic approach not only ensures compliance but also fosters continuous improvement within the payment ecosystem (Article 31).

The Republic of Uzbekistan governs payments within its territory through various methods, encompassing the transfer of cash, electronic funds, and the use of payment instruments or electronic payment means. Initiating these payments involves actions such as presenting a payment document by the payer, utilizing electronic payment tools, depositing cash for transfer through banking counters, electronic terminals, or similar devices, and providing consent for payment through remote service systems. This comprehensive approach ensures flexibility and accessibility in conducting financial transactions, enabling individuals and entities to engage in diverse payment methods suited to their preferences and technological advancements (Article 32).

The payment documentation in the Republic of Uzbekistan encompasses both

physical and electronic formats, serving as the basis for executing payments. Various instruments facilitate transactions within the country, including payment orders, payment demands, collection orders, memorial orders, letters of credit applications, as well as incoming and outgoing cash payment documents. Mandatory requisites, formats, and specific content requirements for these payment documents, along with guidelines for electronic payment means, are stipulated and regulated by the Central Bank. These measures ensure standardization and oversight within the payment ecosystem, contributing to the efficiency and reliability of financial transactions in Uzbekistan (Article 33).

Electronic payment means are described as bankcards or other electronic devices containing data enabling payment and additional transactions as per agreements between the payer and the electronic payment issuer. The issuer, a legal entity, issues these payment means, while individuals using or owning such means are holders, operating according to agreements with the issuer. Payments through these means require the holder's confirmed consent, verified by identification means, with specific procedures and methods outlined in agreements between the issuer and the holder (Article 34).

The excerpt outlines the functionality and terms governing the use of bankcards in Uzbekistan. It explains that a bankcard, whether debit, credit, or virtual, facilitates electronic transactions, cash withdrawals, currency exchange, and other operations as defined by the card issuer. The issuance and utilization of these cards are governed by contracts between the card issuer and the cardholder, mandating the issuer inform the cardholder about usage conditions, security measures, grievance procedures, and payment-related details. Additionally, the card issuer must publicly disclose card issuance terms and security measures and notify the cardholder regarding service fees and debt accumulation, ensuring proper

documentation of payment-related fees per their agreement (Article 35).

The regulations stipulate that both individual entrepreneurs and legal entities engaged in retail sales of goods and services must facilitate payment acceptance through bankcards. The rights and obligations of payment participants associated with card usage arise upon receipt of payment by the individual entrepreneur or legal entity through the bankcard. Such transactions grant the individual entrepreneur or legal entity a financial claim against the bank, as per the agreement for bankcard services, equivalent to the payment received. The card issuer is obliged to inform the cardholder about card-related operations as per their agreement, including the method, frequency, and potential fees for notifications. Furthermore, the issuer is required, upon request, to provide card-related documents and information to the cardholder, storing all notifications exchanged for a minimum of three years. Requests from cardholders are to be processed within fifteen days, extendable up to thirty days if verification or additional materials are necessary, with notifications sent in written or electronic form. The issuer holds the right to suspend or terminate card usage based on cardholder notifications or at the issuer's discretion in case of card misuse, yet such actions do not absolve the pre-existing obligations between the cardholder and the issuer (Article 36).

The issued regulations stipulate the responsibilities of both cardholders and card issuers in instances of card loss or unauthorized usage within the banking system of Uzbekistan. The card issuer is mandated to ensure continuous availability for cardholders to report instances of card loss or unauthorized transactions promptly. Upon noticing such incidents, cardholders are obligated to notify the issuer immediately; failure to do so results in assuming all risks associated with the card. Once notified, the issuer promptly

blocks the card and bears responsibility for any unauthorized transactions post-notification. Cardholders are entitled to seek reimbursement for lost funds due to unauthorized use, with the issuer required to review and decide on reimbursement within the prescribed timeframe. Refusal grounds include cardholder negligence in security measures or evidence of the cardholder's involvement in criminal activities using their card. Upon reimbursement approval, the issuer disburses funds within one day; otherwise, a notification detailing the refusal reasons is issued to the cardholder (Article 37).

The procedures governing payment processing and clearing between banks within the country for transactions conducted using bankcards issued by them. The Central Bank holds the authority to organize the interbank payment service system for transactions executed within the country using bankcards issued by resident banks. This can be achieved by assigning operational and technological functions to either a significant payment system operator or by establishing a specialized entity. The specifics of this entity's operations and its collaboration with card-issuing banks are to be determined by directives set forth by the Central Bank, ensuring a regulated framework for card-based financial activities within Uzbekistan (Article 38).

The definition elucidates that an electronic money system operates as a payment framework, facilitating various transactions through electronic funds. It functions via the interaction between the electronic money system's operator, the issuer of electronic funds, and/or the holders of such funds. This system enables the seamless execution of payments and other related operations, emphasizing the pivotal role played by the system operator in mediating between the electronic funds' issuer and the users. Such a framework ensures the smooth flow of electronic monetary transactions by coordinating the

actions among these integral entities within the electronic money ecosystem (Article 39).

The regulations governing electronic money in Uzbekistan stipulate that only the Central Bank and banks can act as issuers of electronic currency, and it must solely be denominated in the national currency within the country. The issuance of electronic money constitutes a payment service wherein the issuer directly provides individuals with electronic funds, either directly or through designated operators or agents, in exchange for an equivalent nominal amount of monetary funds. Ownership of electronic money extends to individuals receiving it from other individuals, the electronic money issuer, operators, or agents. Additionally, legal entities, individual entrepreneurs, and banks acting as payment agents engage in acquiring and distributing electronic funds based on agreements with the electronic money issuer or system operator. Ownership rights for electronic money commence upon receipt (Article 40).

The roles and responsibilities of electronic money system operators and issuers in Uzbekistan. It stipulates that the operator, licensed and responsible for the functioning of the electronic money system, establishes operational rules in agreement with the issuer. Their relationship is governed by law and a contractual agreement. Moreover, the operator, acting on behalf of the issuer, can enter into agreements with various entities involved in the system. Both the issuer and operator are accountable to electronic money owners for any damages resulting from unauthorized access, usage, software errors, or system malfunctions, as specified in the issuance, usage, and redemption agreements (Article 41).

It stipulates that electronic money issuers undertake the unconditional obligation to redeem issued electronic money at its nominal value in the national currency. Furthermore, it mandates that

before entering into agreements for the issuance, use, and redemption of electronic money, issuers or operators acting on their behalf must provide individuals intending to participate in the electronic money system with comprehensive information. This includes details on the issuer's identity, terms of electronic money usage, commission fees, grievance procedures, and contract content specifying issuance terms, transaction limitations, redemption procedures, and responsibilities of both parties. Additionally, it notes that agents of the electronic money system can facilitate the acquisition or sale of electronic money based on agreements with issuers or operators, establishing rights, obligations, and procedures for these transactions (Article 42).

It delineates the parameters within which individuals, both physically present and anonymous, can engage in transactions using electronic money, emphasizing adherence to Uzbekistan's legal framework. The laws not only establish the means for accepting electronic currency for goods and services but also enforce stringent measures against fraudulent activities, money laundering, and the financing of terrorism. Mandates concerning transaction limits, user identification, and reporting to authorized entities are meticulously defined, ensuring compliance and security within the electronic money system while safeguarding against illicit financial practices (Article 43).

The regulation elucidates the process of electronic money redemption as a payment service, encompassing the exchange by the electronic money issuer of the presented electronic funds, at their nominal value, for an equivalent amount of cash. This redemption, undertaken by the issuer, involves transferring an equivalent sum to the owner's bank account or issuing cash if no commission is specified in the agreement between the electronic money issuer/operator and the individual/organization. Notably, electronic

funds obtained by entities in transactions need to be redeemed within the day of receipt unless specified otherwise in their agreement. However, funds received by entities are exempt from redemption when returned to individuals as payers under the conditions outlined in this law for money transfers or transaction annulment (Article 44).

The directive stipulates that instructions can be presented in either paper or electronic format, encompassing payment instructions, demands, collection orders, and letters of credit. Banks receiving such directives or recalling collection orders must do so within the operational day's timeframe. If a directive arrives after operational hours, it's considered received by the payer's bank at the commencement of the subsequent operational day. Presentation, recall, or suspension of directives occurs via electronic means, electronic storage devices, or, in the absence of electronic channels, by providing the original paper payment document for recall or suspension. Compliance with regulations set by the Central Bank is mandatory for electronic presentation, recall, or suspension. The methods, processes, and terms of directive presentation by the initiator to the bank are outlined in their agreement if the initiator is the bank's client. If not, the Central Bank's regulations dictate the procedure for the initiator's directive presentation (Article 45).

The law concerning bank obligations and refusal of payment orders in Uzbekistan stipulates a stringent process for banks. Upon receiving an order, banks must meticulously verify its compliance with contractual terms before execution or refusal. Refusal grounds encompass insufficient funds, potential forgery, improper initiation, or legal directives under anti-money laundering laws. Execution involves forwarding to the beneficiary bank if not serviced, transferring funds if the payer's bank aligns, or disbursing cash to the initiator if applicable. This legal

framework emphasizes thorough scrutiny to ensure payment order validity and compliance, safeguarding against illicit transactions or unauthorized fund transfers (Article 46).

The outlined directives emphasize the timely execution of payment orders by the bank, ensuring promptness in processing transactions. Specifically, international payments must be completed within two operational days of receiving the order, adhering strictly to currency regulations. Furthermore, the bank facilitating the receipt of funds on behalf of the beneficiary ensures swift crediting to the respective account on the operational day of receiving the order. However, exceptions apply to certain directives, such as those presented through collection orders, indefinite execution timelines, future valuation dates, or those structured as electronic payment consents for retail purchases or e-commerce transactions. These provisions underscore the systematic efficiency and exceptions integral to the execution of diverse payment orders within the specified banking framework (Article 47).

The stipulated regulations within the payment documentation in Uzbekistan set a stringent timeframe for currency valuation, limiting it to a maximum of ten days from the document's issuance date. Execution of payment orders involves the reservation of the payer's funds in their bank account or their transfer to an internal balanced account (transit account) of the payer's bank. Transferring the reserved funds or the funds from the designated transit account must occur no later than the specified valuation date, considering the time required for the beneficiary's bank to credit the funds into the beneficiary's account. Should the valuation date fall on a non-working day, the beneficiary's bank is obligated to credit the funds on the first subsequent working day. Any discrepancy between the operational date of fund transfer and the specified valuation date incurs responsibility upon the bank as per

the terms outlined in the banking account agreement (Article 48).

Execution of orders in situations where the payer lacks sufficient funds to fulfill the monetary obligations. It emphasizes adherence to the law when executing these directives. When a payer lacks or falls short of the required monetary amount, the execution process follows legal provisions. This implies a structured approach to ensure compliance and resolution in cases where the payer faces constraints in meeting the specified financial obligations. The focus appears to be on lawful execution practices to address instances of insufficient funds, maintaining legal compliance throughout the process of fulfilling orders (Article 49).

When transactions involve cash, completion occurs upon the beneficiary or their authorized representative's receipt of the funds. Payment through a payment document concludes upon the funds' arrival in the beneficiary's account. Transfers of funds conclude when accounting entries reflect the beneficiary's account credit, physical disbursement by the beneficiary's bank without an account, or when another account reflects a receipt for the beneficiary. Electronic money transfers conclude when the beneficiary receives the electronic funds, verified by the electronic money system recording the funds' reception, marking the pivotal moment of fund receipt for the beneficiary (Article 50).

The criteria for sanctioned and unsanctioned payments are within the legal framework of the Republic of Uzbekistan. A payment is deemed sanctioned when executed by an authorized individual in compliance with Uzbekistan's legislation or when a bank, following the prescribed security measures against unauthorized transactions, initiates the payment through money transfer. Conversely, an unsanctioned payment occurs when conducted without adherence to the stipulated requirements. This includes payments made using counterfeit payment

instruments. Both banks and payers engaged in electronic payment methods are obligated to ensure security measures against unsanctioned transactions, which are established through agreements between payment participants and operational regulations within the electronic payment document transfer system (Article 51).

The procedures for refunding monetary transactions in cases of unauthorized or erroneous payments during money transfers. Refunds occur when discrepancies are detected in payment instructions, such as erroneous details or duplicated transactions. The reimbursement process involves the beneficiary bank retracting funds from the beneficiary's account, initiated upon discovery of the error or unauthorized payment. If insufficient funds exist, the initiator of the erroneous transaction assumes responsibility for repayment, reimbursing expenses incurred during the refund process. This stringent process aims to rectify unauthorized transactions promptly, safeguarding the integrity of the payment system (Article 52).

The protection and utilization of information security tools within the payment system are robust and comprehensive. They mandate operators and service providers to ensure continuous safeguarding of payment information at every stage—its formation, processing, transmission, and storage. Additionally, stringent measures for securing data confidentiality, including personal user information, are required throughout information systems' lifecycles. Notably, the law stresses the importance of employee authorization distinctions within these systems and emphasizes the imperative defense of information networks, servers, and communication channels against potential threats. Operators must implement multifactor authentication for communication channels, employ encrypted communication sessions over the internet,

and restrict the collection of personal data solely to that necessary for rendering payment services without soliciting extraneous information from users (Article 53).

It places responsibility on users of electronic payment means to utilize them as per the designated terms and promptly report any loss, theft, misappropriation, or unauthorized use of the payment instrument to the service provider or specified entity (Article 54). On the other hand, it mandates that payment system operators and service providers implement robust measures to mitigate operational and security risks associated with delivering payment services. They are required to develop and maintain effective incident response procedures while annually submitting a security status report to the Central Bank by April 1 of the following year (Article 55). These articles collectively underscore the need for both users and providers to ensure the secure and responsible use of payment services while actively managing associated risks.

The legal obligations of payment system operators and service providers in Uzbekistan emphasize compliance with legislation and payment system regulations concerning information protection. It references a Central Bank resolution mandating information security provisions for these entities. Notably, it assigns responsibility to initiators for losses incurred from unauthorized payments due to fraudulent actions or failure to safeguard their identification means. This underscores the significance of preventative measures in securing personal information within payment systems, placing accountability on initiators for any resultant financial losses (Article 56).

The oversight of payment system operators and providers of payment services in the realm of information security is conducted by the Central Bank. Should any breach in the information security protocol occur, these operators and service

providers are mandated to promptly report the incident to the Central Bank upon its detection, detailing the measures taken to mitigate its repercussions. Subsequently, the Central Bank undertakes the task of compiling and maintaining a comprehensive database encompassing violations within the information security framework of payment systems. This regulatory measure ensures swift action and robust record keeping to safeguard against potential threats to the integrity of payment systems (Article 57).

The regulations stipulate penalties for payment service providers in Uzbekistan in case of delays or errors in payment execution. If a payment service provider fails to execute payments within the specified timeframe, they are obligated to pay the payer a penalty of 0.1 percent of the overdue payment amount for each day of delay, capped at 10 percent of the overdue sum. Similarly, in instances of erroneously executed payments due to the provider's fault, they must rectify the transaction by transferring funds to the recipient's account by the next working day following error identification. Failure to do so grants the payer the right to demand a refund, with the provider incurring a penalty of 0.1 percent per day for delays, limited to 10 percent of the erroneous payment amount, as specified by law (Article 58).

The law delineates the mechanisms for dispute resolution, responsibilities concerning violations of payment legislation, and the mandate for the Central Bank to ensure compliance, dissemination, and clarification of this law's essence to both executors and the general population. It underscores the resolution of payment and payment system disputes in alignment with established legislative procedures (Article 59). It emphasizes the accountability of individuals involved in breaching payment legislation, subject to due process (Article 60). Lastly, it places a significant onus on the Central Bank to oversee execution,

conveyance to executors, and clarification of this law's substance among the populace, highlighting its pivotal role in implementation and public understanding of this legislation (Article 61).

The directives were addressed to the Cabinet of Ministers in Uzbekistan regarding compliance with a specific law related to payment systems. It instructs the government to align its decisions with the current law and mandates the review and annulment of any governmental regulations conflicting with it. Additionally, organizations functioning as operators of payment systems and payment entities are obligated, within three months of the law's enactment, to adjust their operations in accordance with the requirements set forth by this legislation. This directive aims to ensure a swift and comprehensive adaptation to the new legal framework governing payment systems within the specified timeframe (Article 62).

The presented law in Uzbekistan, number LRU-578, mandates its enactment three months following its official publication. Signed by President Sh. Mirziyoyev on November 1, 2019, this legislation concerning payments and payment systems indicates a transition period before coming into effect. This stipulated delay allows for preparation, implementation, and adjustments within various sectors to align with the new legal framework. As of the law's adoption by the Legislative Chamber on September 19, 2019, and subsequent approval by the Senate on October 11, 2019, this forthcoming implementation signifies a significant regulatory shift in Uzbekistan's financial landscape, impacting businesses and financial entities across the nation.

Conclusion

This analysis of Uzbekistan's updated payment law demonstrates its pivotal role in fostering secure digital transactions and upholding rights amidst growing electronification. As global digital payments expand exponentially, comprehensive

legislation and oversight tuned to technological changes are indispensable for integrity and innovation. Uzbekistan's law signifies a milestone for regulating system governance, operations, licensing, settlement irrevocability, risk management, and security protocols. Clear definitions, strict licensing norms, transparency duties, and penalties for non-compliance aim to fortify payment functionality. Provisions for electronic money also hold promise for expanding digital transactions.

However, the law merits enhancements to address risks from emerging modalities like cryptocurrencies and align closer with global frameworks. Additionally, enshrining flexible mechanisms for continuous innovations in transaction technologies and methodologies would make the law future-ready. Scope exists for tighter consumer protection protocols regarding grievance redressal, reimbursements, data privacy, and limiting liability. Requirements around instituting insurance buffers could aid user security. Nonetheless, the law establishes a robust foundation for ushering Uzbekistan's payment landscape into the digital era. The predominance of cashless channels and contactless commerce globally underscores why updated regulations are indispensable. As digital connectivity permeates trade and banking amidst the fourth industrial revolution, user rights and system resilience hinge on progressive laws keeping pace with change.

Underscoring oversight, security, transparency, and accountability while encouraging cashless ecosystems, Uzbekistan has achieved a significant upgrade in financial regulation. Recommended areas for review can catalyze further strengthening. However, sustained effectiveness hinges on formulating supplementary norms addressing emerging payment dynamics and risks. Close coordination between the Central Bank, financial institutions, and technology providers is key. The public literacy programs around digital transactions require prioritization. As Uzbekistan rolls out e-government services and

pursues digital transformation, this modernized, harmonized legal basis for payments and system governance offers a robust foundation. However, continuous upgrading of risk controls, customer care provisions, and data protocols

is essential for stable innovation. By instilling stakeholder trust and global alignment, a future-ready payment law ecosystem can substantiate Uzbekistan's cashless roadmap for financial inclusion and e-commerce gains.

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