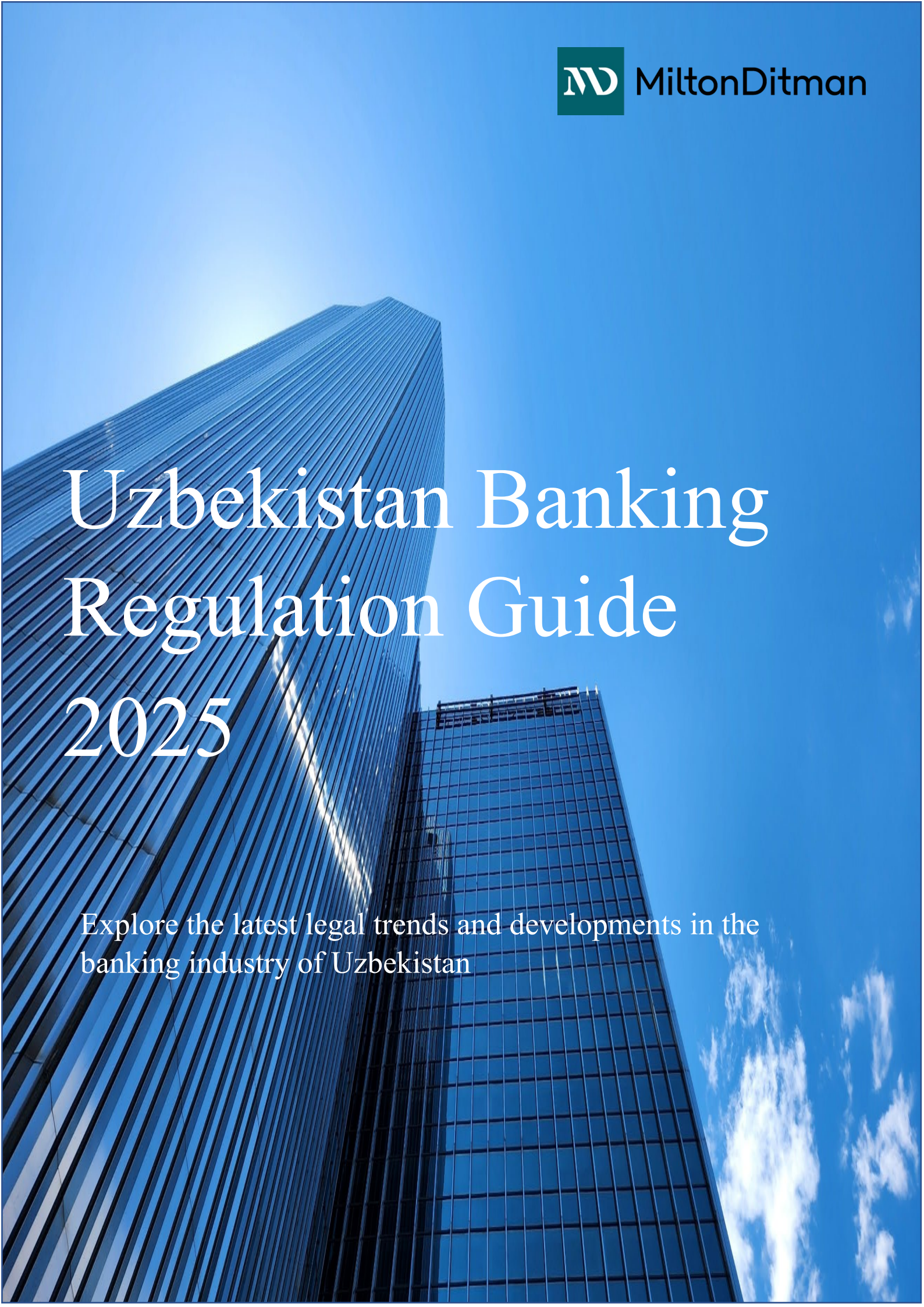


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Uzbekistan Banking Regulation Guide 2025

Explore the latest legal trends and developments in the banking industry of Uzbekistan

Uzbekistan Banking Regulation Guide

1. Introduction

Banking activities in the Republic of Uzbekistan are regulated by the laws of the Republic of Uzbekistan "On banks and banking activities" (as amended (in a new edition) on 05.11.2019 No. ZRU-580) **('Law')** and "On the Central Bank of the Republic of Uzbekistan" (as amended (in a new edition) on 11.11.2019 No. ZRU-582).

The Law, adopted in a new version in 2019, provides for a number of innovations, in particular:

- the list of financial transactions carried out by banks has been supplemented with new types of services, including trust management of property and assets, purchase and sale of refined precious metals, transactions with derivative financial instruments, and others;

- additional requirements for foreign shareholders have been defined. There are no restrictions for non-residents that are banks and financial organizations with an investment rating. For other non-residents, more stringent conditions are established in the form of minimum ratings for the non-resident and his country, as well as restrictions on their shares in the banks to 50%;

- the concept of a "banking group" was introduced as an association of financial institutions in which the main bank directly or indirectly owns at least 25% of the shares of other banks, as well as more than 50% of the authorized capital of the financial institution.

The Law also provides for a number of rules aimed at protecting the rights and interests of consumers of banking services, including regulation of the establishment of interest rates on loans, deposits and commission fees, the principles of providing banking services, disclosure of information, guarantees for the protection of deposits, consideration of complaints, liability of banks for violation of consumer rights and others.

2. Microfinance bank

In 2025, amendments were made to the Law related to providing the opportunity for a microfinance organization to transform into a microfinance bank (Law of the Republic of Uzbekistan dated 11.02.2025 No. ZRU-1026).

The specified changes to the Law will allow microfinance banks to attract additional financial resources, including deposits, and also to provide banking services.

How microfinance banks operate:

- the minimum size of the authorized capital of a microfinance bank must be 50 (fifty) billion soums;

- microfinance banks are prohibited from opening banks, representative offices and creating branches abroad, participating in the capital of foreign banks, including the creation of foreign banks;

- opening correspondent and other accounts in foreign banks, issuing guarantees for obligations of foreign citizens and legal entities and providing services for foreign trade operations of clients are prohibited;

- the amount of funds attracted from one individual into deposits does not exceed the amount of the guaranteed deposit determined by the legislation on guarantees for the protection of deposits in banks;

- the maximum risk per borrower or group of related borrowers does not exceed 5 (five) billion soums;

- the share of loans issued for the support of entrepreneurial activities and activities of self-employed persons aimed at generating income is not less than 70 (seventy) percent of the loan portfolio;

- investments are made only in highly liquid debt securities determined by the Central Bank within the framework of requirements for bank liquidity management.

3. Banking supervisory authority

The Central Bank of the Republic of Uzbekistan is a state body that regulates the sphere of banking activities and exercises powers on licensing, regulation and prudential supervision.

4. Activities prohibited or restricted for banks

The law provides for a general prohibition that banks do not have the right to directly engage in production, trade, insurance and other activities not related to the implementation of financial transactions provided for by the banking legislation.

At the same time, the Law contains a number of exceptions from the above general prohibition, such as: sale of own assets, issue, sale and distribution of checkbooks, agency activities on behalf of an insurance companies and other exceptions.

The Law also contains a number of restrictions on the investment activities of banks, namely, banks are prohibited from creating legal entities and (or) acquiring shares or stocks in the authorized capital of legal entities, subject to a number of exceptions.

The bank is prohibited from participating in the authorized capital of a legal entity that owns one or more percent of the authorized capital of the bank.

5. Shareholders

The shareholders of the bank can be legal entities and individuals - residents, as well as non-residents.

6. Authorized capital of the bank

The minimum size of the authorized capital of a bank, with the exception of a microfinance bank, must be 500 (five hundred) billion soums.

7. Establishment of a bank

Banks are set up in the form of joint stock companies.

The Bank operates in Uzbekistan on the basis of a license for the right to carry out banking activities issued by the Central Bank.

The license is issued without limitation of its validity period.

The procedure for licensing banks consists of two stages:

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- issuance by the Central Bank of a preliminary permit to establish a bank;
- state registration of the bank with the simultaneous issuance of a license.

8. Additional requirements for foreign shareholders when they create a bank or participate in the authorized capital of a bank

The total share of non-residents - individuals and legal entities that are not international financial institutions, foreign banks and other credit organizations - must not exceed 50 (fifty) percent of the bank's authorized capital.

The shareholders of the bank cannot be legal entities registered, or individuals residing in a state or territory that provides a preferential tax regime and (or) does not provide for the disclosure of the identity of the ultimate beneficial owner and the provision of information when conducting financial transactions (with the exception of legal entities and individuals who have acquired shares of the bank on foreign stock markets).

9. Permission and restriction on ownership of bank shares

Individuals, legal entities or persons acting jointly, including non-residents, are required to obtain prior permission from the Central Bank before acquiring, directly or indirectly, a share in the authorized capital of a bank that, as a result of one or more transactions, amounts to:

- 5 percent or more, but not more than 20 percent;

- 20 percent or more, but not more than 50 percent;

- 50 percent or more.

The Central Bank has the right to apply measures and sanctions to a direct or indirect owner of a substantial holding, including the ultimate beneficial owner, who:
- does not comply with the requirements of the legislation on banks and banking activities;
- has a negative impact on the bank that may threaten the sound financial condition of the bank;
- has not provided information on the identity of the ultimate beneficial owner.

10. Branches and representative offices of foreign banks in Uzbekistan

The establishment of branches by foreign banks in Uzbekistan is not permitted.

A representative office of a foreign bank is a separate division of a foreign bank located in Uzbekistan and representing the interests of the bank without the right to carry out banking and other commercial activities.

A representative office of a foreign bank in the territory of the Republic of Uzbekistan is accredited by the Central Bank.

11. Subsidiary banks, branches and representative offices of Uzbek banks abroad

Banks, with the exception of microfinance banks, with the permission of the Central Bank may open subsidiary banks and create branches abroad, participate in the capital of foreign banks, including in the creation of foreign banks, in the following cases:

- the existence of an agreement on the exchange of information between the Central Bank and the banking supervisory authority of the host country;

- the legislation of the host country and the methodology for its application do not interfere with the performance of supervisory functions of the Central Bank over a subsidiary bank, a bank branch;

- the management and financial condition of the bank are sufficient for the planned activities carried out through the subsidiary bank, branch;

- compliance with and growth of prudential standards and the bank's compliance with other requirements of the legislation on banks and banking activities.

Subsidiary banks and representative offices are opened and (or) branches of the bank are created in accordance with the legislation of the country in which they are opened and (or) created.

12. Corporate governance

The bank's governing bodies are the general meeting of shareholders, the supervisory board and the bank's management board.

The general meeting of shareholders

The general meeting of shareholders is the highest governing body of the bank.

The supervisory board

The Supervisory board of the bank carries out general management of the bank's activities, performs supervisory and control functions in the process of making management decisions and is responsible for the activities and financial stability of the bank as a whole.

A person may not be elected as a member of the supervisory board of the bank or the elected person is deprived of the right to membership in the supervisory board if:

- the person is or intends to become a member of the supervisory Board of two or more banks, except in cases where these banks belong to the same banking group;

- the person's powers are terminated early at the request of the Central Bank.

The management board

The bank's management board, being the executive body of the bank, carries out operational management of the bank in accordance with the strategy and management system of activities approved by the bank's supervisory board, and bears full responsibility for the bank's activities.

The Central Bank approves the candidacies of persons nominated for membership in the supervisory board, the management board and for key personnel positions in the bank before they take office.

13. Prudential requirements

Prudential standards for banks and banking groups, with the exception of microfinance banks, include:

- capital adequacy ratios;

- maximum risk per borrower or group of related borrowers;

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- maximum large credit risks and investments;

- concentration ratios by sector;

- liquidity ratios;

- maximum risk per related parties of the bank;

- maximum amount of unsecured loans (blank loans);

- requirements for classification and assessment of the quality of bank assets, formation of reserves against possible losses on bank assets created on the basis of their classification;

- maximum amount of acquired shares and stocks in the authorized capital (authorized capital) of legal entities;

- requirements for acquisition and ownership of real estate and other property;

- limits on open currency position;

- other prudential standards established by the Central Bank in accordance with generally accepted international practice.

14. Related parties' transactions

Banks are prohibited from entering into transactions with related parties of the bank or persons acting on behalf of such persons, in cases where such transactions are concluded on more favorable terms than those provided for persons not related to the bank.

Provision of more favorable terms means:

- entering by the bank into a transaction with a related party or in the interests of such a party, which by its nature, purpose, features and risk the bank would not enter into with other persons;

- receiving remuneration and charging a fee for the performance of a financial transaction lower or accepting collateral at a higher value than that required from other persons.

The bank may not issue loans without collateral to persons related to it.

15. Bank-client relations

Relations between banks and their clients are based on contracts.

Clients have the right to open bank accounts in national and foreign currencies in one or more banks of their choice.

Interest rates on loans, deposits, and the amount of commission fees for bank transactions are set by the bank independently.

Banks provide loans secured by collateral, guarantees, sureties, obligations, and other means of ensuring the fulfillment of obligations provided for by law.

If the borrower violates obligations under the contract, banks have the right to early collect the loans provided and the interest accrued on them in the manner prescribed by the contract, and also to foreclose on the pledged property in the manner established by law.

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Banks may make decisions to provide a loan without collateral.

Banks are prohibited from providing a loan secured by their own shares.

The bank has the right to apply to the economic court with a statement on the initiation of a case on the insolvency of a debtor who fails to fulfill his obligations to repay the debt.

16. Bank secrecy

The Bank guarantees the protection of information constituting a banking secret.

Information constituting a banking secret is provided to the client himself, his authorized representatives, as well as other persons (law enforcement agencies, courts, tax service and others) in the manner established by the Law of the Republic of Uzbekistan "On Banking Secrecy".[1]

17. Reorganization, license revocation and liquidation of banks

Reorganization

The bank's reorganization is carried out in the form of a merger, accession, division, separation and transformation by decision of the general meeting of shareholders with the permission of the Central Bank, taking into account the requirements of competition legislation. The bank's reorganization may also be carried out at the request of the Central Bank.

License revocation

The Central Bank has the right to revoke a license in the following cases:

- if the bank has not commenced banking operations within twelve months after receiving the license, has expressly refused it, or has not carried out financial operations for more than three months;

- failure by the bank to comply with the terms of the license;

- the bank has committed one of the gross violations specified in Article 54 of the Law;

- if the bank incurs or may incur losses in amounts exceeding ten percent of the bank's regulatory capital in each of three consecutive quarters or fifty percent of the regulatory capital regardless of the period of time;

- termination of the bank's operations as a result of reorganization;

- adoption by the general meeting of shareholders of a decision on voluntary liquidation of the bank;

- revocation of the license of a foreign bank that has established a bank in the Republic of Uzbekistan;

- adoption by the Central Bank of a decision to agree to change the activities of a microfinance bank to the activities of a microfinance organization;

- the onset of insolvency of the bank.

The following cases are understood as bank insolvency:

[1] https://lex.uz/docs/41882

- the bank is unable to pay customer claims presented to it within fifteen days;

- the bank's liabilities exceed its assets;

- there are any other circumstances that pose a threat to the safety of funds entrusted to the bank by depositors and creditors.

From the moment the Central Bank adopts a resolution to revoke its license, the bank is prohibited from carrying out activities permitted to banks in accordance with this Law, with the exception of actions related to the liquidation of the bank.

Liquidation

Termination of activities and liquidation of a bank may be carried out in a voluntary or compulsory form (if the Central Bank revokes the license).

The basis for termination of activities and liquidation of a bank is a decision:

- of the general meeting of shareholders of the bank on voluntary liquidation;

- of the board of the Central Bank on the compulsory liquidation of the bank.

The liquidation of the bank is considered complete and the bank is considered liquidated from the date of making the corresponding entry in the State Register of Banks.

Voluntary liquidation

Voluntary liquidation is carried out on the basis of a decision of the general meeting of shareholders of the bank on voluntary liquidation with the possibility of satisfying the demands of creditors and depositors and obtaining permission from the Central Bank.

The decision on voluntary liquidation of the bank is taken by a majority of three-quarters of the votes of shareholders - owners of voting shares participating in the general meeting of shareholders.

Compulsory liquidation

The bank is being forcibly liquidated based on a resolution of the Central Bank to revoke its license.

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