

LAW AND BLOCKCHAIN: A LEGAL PERSPECTIVE ON CURRENT REGULATORY TRENDS

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ABSTRACT

This article explores the issues of legal regulation of digital assets in the digital economy in a period of enhanced technology development. Economic and political imperatives are combined with technological innovation to drive the growth of the digital economy, with growth rates particularly high in developing countries. The strategy for this growth should be private sector driven, government driven, and reviewed by civil society and academia. The main purpose of the article is to reveal the essence of the digital economy, bilateral investment agreements, investment activities, crypto assets, as well as issues of improving the understanding of tokens and cryptocurrencies, including them in agreements from the point of view of the prospects for the development of the digital economy in accordance with the new adopted regulatory legal acts of the Republic of Uzbekistan.

Key words: digital economy, cryptocurrency regulation, information technology, e-commerce, token, blockchain, asset management, capital.

ПРАВО И БЛОКЧЕЙН: ЮРИДИЧЕСКИЙ ВЗГЛЯД НА ТЕКУЩИЕ ТРЕНДЫ РЕГУЛИРОВАНИЯ

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АННОТАЦИЯ

В данной статье исследуются вопросы правового регулирования цифровых активов в условиях цифровой экономики в период опережающего развития технологий. Экономические и политические императивы в сочетании с технологическими инновациями стимулируют рост цифровой экономики, причем темпы роста особенно высоки в развивающихся странах. Стратегия

этого роста должна определяться частным сектором, правительством и проверяться гражданским обществом и академическими кругами. Основной целью статьи является раскрытие сущности цифровой экономики, двусторонних инвестиционных договоров, инвестиционной деятельности, криптоактивов, а также вопросы улучшения понимания токенов и криптовалют, включения их в договоры с точки зрения перспективы развития цифровой экономики в соответствии с новыми принятыми нормативно-правовыми актами Республики Узбекистан.

Ключевые слова: цифровая экономика, регулирование криптовалюты, информационные технологии, электронная коммерция, токен, блокчейн, управление активами, капитал.

QONUN VA BLOCKCHEYN: TARTIBGA SOLISH TRENDTLARIGA HUQUQIY KO'RISH

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ANNOTATSIYA

Ushbu maqola ilg'or texnologiyalarni rivojlantirish davrida raqamli iqtisodiyotda raqamli aktivlarni huquqiy tartibga solish masalalarini ko'rib chiqadi. Iqtisodiy va siyosiy imperativlar texnologik innovatsiyalar bilan birgalikda raqamli iqtisodiyotning o'sishiga turtki bo'lmoqda, o'sish sur'atlari ayniqsa rivojlanayotgan mamlakatlarda yuqori. Ushbu o'sish strategiyasi xususiy sektor, hukumat tomonidan ishlab chiqilishi va fuqarolik jamiyati va ilmiy doiralar tomonidan sinovdan o'tkazilishi kerak. Maqolaning asosiy maqsadi raqamli iqtisodiyotning mohiyatini ochib berish, ikki tomonlama investitsiya shartnomalari, investitsiya faoliyati, kripto-aktivlar, shuningdek, tokenlar va kriptoalyutalar, shu jumladan kontraktlarga kirishni rivojlantirish nuqtai nazaridan tushunishni takomillashtirish masalalari. O'zbekiston Respublikasining yangi qabul qilingan normativ-huquqiy hujjatlariga muvofiq raqamli iqtisodiyot.

Kalit so'zlar: raqamli iqtisodiyot, kriptoalyutani tartibga solish, axborot texnologiyalari, elektron tijorat, token, blokcheyn, aktivlarni boshqarish, kapital.

INTRODUCTION

We are in an era of change and on the threshold of the fourth industrial revolution. Unlike the previous ones, the real revolution does not develop gradually, but rather at an increasing pace. The fourth industrial revolution will bring fundamental changes in manufacturing processes. It entails not only technological innovations, but also a change in social paradigm, cultural code. The large-scale introduction of cyber-physical systems and the digitalization of industry will not be feasible without legal and political reforms. Some believe that this is a continuation of the "digital" revolution, a new stage in which technology will more and more will displace man, but will also provide a huge opportunity to increase the standard of living of mankind. Due to the high volatility, cryptocurrency is considered a high-risk investment. When investing, there is a chance of losing most of the funds. Thus, to work on the crypto market, an investor must have an aggressive risk profile. It must allow for the possibility of losing all invested capital for the sake of a possible significant increase in profits in the future.

The fourth industrial revolution is usually described by pointing out the key technologies that will "soon" enter our lives. These technologies include the following collective concepts of future technologies:

big data (big data);

artificial intelligence (AI, artificial intelligence);

autonomous vehicles and unmanned aerial vehicles (UAVs);

cloud computing;

quantum computing;

internet of things (internet of things);

augmented and virtual reality (virtual & augmented reality);

3D printing;

nanotechnologies and neurotechnologies;

blockchain;

Information Security;

autonomous robots in the field of logistics and production;

precision farming using drones and sensors;

5G and 6G technology communication standards. [1]

MATERIALS AND METHODS.

The article was prepared using general and particular methods of scientific knowledge: dialectical, systemic, formal-logical, technical-legal, comparative-legal,

etc. During the study, both the regulatory legal framework of Uzbekistan and publications in the field of blockchain and digital assets were studied.

RESULTS OF THE RESEARCH.

Usually, Utility tokens are issued as part of an ICO. ICO means the issuance of tokens using blockchain technology in order to raise funding, carried out in relation to Utility tokens, which are definitely not an investment directly in the company, since users do not receive ownership of the company's shares [2]. When buying tokens issued by a company during the implementation of a certain project, the buyers only expect: to benefit from the resale of tokens at a higher price in the future (assuming that they will be in high demand - for example, because the project will “shoot”); use your tokens in the future by receiving a product or service produced by the project; support an interesting project. The investor is given tokens, later they can be used on the project platform as an internal currency or traded on exchanges, but they may not have long-term value. Security tokens - in their economic function, they are similar to securities that give owners the right to realize their investment interests (the right to shares, receive part of dividends, share profits, etc.). These rights are recorded in a smart contract, and the tokens themselves are traded on exchanges, and their release is called STO (Security token offering). In fact, STO is one of the options for placing securities in the digital field. At the moment, regulators in most jurisdictions are moving towards applying existing legislation for traditional financial instruments to such an asset class. This approach entails the need to obtain licenses to offer and trade tokenized assets.

It should be noted that according to the established practice of foreign countries, issuers of tokens often avoid recognizing their Security product as a token in various ways, since this status imposes certain obligations on it and entails regulation as for financial instruments. Cryptocurrencies - this type of token has its own blockchain and is often considered as a means of payment in some jurisdictions [3]. Usually, tokens of this category do not carry additional functions and are not associated with other projects. The above three types of tokens are classical. In fact, there are many more varieties of them, and the differences between them are quite blurry - almost all types of tokens can be used both as money, and as an investment tool, and as payment for work.

In our state, enhanced measures are also being taken to develop the mechanism of tokens and their legal regulation. Drawing attention to the Order of the Director of the National Agency for Perspective Projects of the Republic of Uzbekistan “On approval of the Regulations on the procedure for issuing, registering the issue and

circulation of crypto-assets by residents of the Republic of Uzbekistan” dated November 29, 2022, this Regulation specifies the following basic concepts:

crypto-asset - a property right, which is a set of digital records in a distributed data registry, which has a value and an owner;

token - a type of crypto-asset, which is an accounting unit in a distributed data registry, which serves to certify the obligation or ownership of a certain asset, which is managed on the basis of a smart contract;

investment token — a type of secured token that certifies property rights or a loan relationship between the issuer of secured tokens and their owners. Investment tokens entitle their owner to receive payment of the principal debt, periodic interest and (or) a part of the issuer's income;

asset-backed token - a type of investment token that grants its owner the right to a tangible asset;

commodity token - a type of secured token, which is a digital analogue of a product, which, among other things, is used to identify, track and monitor the supply chain and (or) is a tool for transferring value as an exchange for a product and (or) service;

stable token - a type of secured token, the value of which is equated to the nominal value of the national or foreign currency;

the owner of a crypto-asset is a legal or natural person who has received the right to own crypto-assets issued by the issuer and registered in the prescribed manner [4].

The issuance and registration of the issue of secured tokens is carried out in order to attract investments and develop activities by the issuer, in accordance with these Regulations and local acts of the crypto-depository. In addition, it follows from this Regulation that the crypto-depository checks the accuracy of the information in the decision to issue secured tokens and other documents submitted by the issuer, including determining the possibility of transferring rights to secured tokens to the token owner; places in public access on the worldwide information network Internet the information specified in the decision to issue secured tokens; ensures the availability of the information specified in the decision to issue secured tokens from the date of their placement until the date of transfer of secured tokens to their owners. The decision to issue secured tokens should provide for the issuance, registration of the issue of only one type of secured tokens. When registering the issue of secured tokens, the crypto-depository is obliged to ensure the verification of the presence of tangible and (or) other property deposited as security for them. It is not allowed to use crypto-assets as collateral for secured tokens issued by the issuer.

A number of structures and entrepreneurs in Uzbekistan are ready to work out the issuance of investment tokens launched through the initial coin offering (ICO), said Vyacheslav Pak, First Deputy Director of the National Agency for Perspective Projects [5]. It should be noted that in Uzbekistan, crypto assets are not legally considered as a monetary unit and a means of payment. Operations of individuals and legal entities related to the circulation of crypto assets, including those carried out by non-residents, are not subject to taxation, and the income received from these operations is not included in the taxable base for taxes and other obligatory payments.

Cryptocurrency is trending right now. Capitalization has peaked, and more and more people are exploring the digital asset market. Some are ready to make money on speculation, holding coins, staking and farming. Others try to create a token and use it to implement complex projects. It may seem that only programmers with a budget of millions of dollars over years of painstaking work are capable of creating a token. But this is not the case when it comes to a token, and not a cryptocurrency with a personal network. Let's talk about which platforms allow you to create a digital coin and which blockchain to choose. In addition, we will answer the main questions: how much does it cost, how to attract investors. Cryptocurrency is an asset that is not issued by the Central Bank or other regulator of the country's money circulation. It has no material expression, it functions only in digital form. The emission and accounting of cryptocurrency is carried out using a decentralized system of algorithms. Cryptocurrency can be created by companies, organizations and even individuals. Cryptocurrencies operate on the basis of the blockchain, a technology for encrypting and storing data distributed over many computers connected to a common network. In essence, the blockchain is a database that reflects all transactions. Cryptocurrency is used for savings and investment, but is not a medium of exchange. Now there are more than 10,000 cryptocurrencies in the world. The most popular besides Bitcoin are Ethereum, Tether, Ripple, Litecoin and Dogecoin [6]. Large foreign funds often hedge their positions by buying cryptocurrencies, as digital assets do not always correlate with other markets. According to him, even some large foreign pension funds, which are traditionally conservative, do this.

Speaking about the advantages of investing in cryptocurrency, for example, in Russia it is now impossible for unqualified investors to buy securities of American companies, while such restrictions are impossible on the crypto market. Interest in cryptocurrencies in the world is due to the growing demand for alternative financial instruments and, in general, for the democratization of the global financial system. But there are also young projects that manage to win the attention of market participants, the expert notes. A small share of the investment portfolio is invested in

them with the expectation that these projects will give a high return. According to Politaiko, investing in such altcoins can be compared to investing in startups. “Approximately 90% of startups die, 10% survive, and 5% of them are fixed in the market and only 1-2% can shoot,” the expert explains. The price of a cryptocurrency can change quickly and drastically. In 2022, the total capitalization of cryptocurrencies more than halved, from \$2 trillion to \$795.7 billion. Including, all the largest coins by capitalization fell in price. Since the beginning of 2023, the total capitalization has increased by 20%, to \$1.16 trillion. Since January 1, Bitcoin has risen in price by 67%, Ethereum - by 54%, Cardano - by 55%, Polygon - by 30%. You can buy cryptocurrency on one of the crypto exchanges [7]. Another option is not to purchase coins in circulation, but to buy new tokens at an ICO (initial coin offering - “initial coin offering (placement)”). You can buy cryptocurrency for both long-term investments and trading. With long-term investments, the investor identifies assets that are promising for growth, buys them and waits for the result. With the right analysis, the amount of income can be several times greater than the investment. Trading in the cryptocurrency market, like in any other, involves the regular purchase and regular sale of assets. In this case, the investor receives income in the form of the difference between the prices of purchase and sale transactions. For novice investors, trading is considered a riskier way to invest. Cryptocurrency mining is the activity of issuing cryptocurrencies and obtaining new coins. As a result of solving a certain problem, a new block of transactions appears in the blockchain and virtual coins are issued.

CONCLUSION

In this connection, a balanced regulation of the issuance and circulation of digital assets, taking into account the existing risks (risks arising from the status and definition of the type of token; risks arising from the regulation of tokens; risks arising from the circulation and accounting of tokens both issued on the territory of the Republic of Uzbekistan and on the territory of foreign countries; the risks associated with the taxation of the turnover of tokens) is a necessity that is dictated by modern reality. It should also be noted that the creation of a legal regime for digital assets is not only a necessity of modern realities, but also a very big opportunity. The development of digital assets in our state will additionally provide an opportunity for the emergence of new legal and economic relations related to digital assets. For example, digital custodial services are the storage, administration and protection of digital assets or private cryptographic keys used to store or transfer crypto assets as a service. All of the above will contribute to a thorough study of the position of

cryptocurrency, tokens and digital assets in the Republic of Uzbekistan and the indication of their legal regulation in the legislation.

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