

ISSUES OF REGULATING ELECTRONIC PAYMENTS IN THE REPUBLIC OF UZBEKISTAN

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ABSTRACT

The legal analysis of the regulation of blockchain, Bitcoin, and other cryptocurrencies in the Republic of Uzbekistan, considered as one of the new payment instruments, is outlined in the article. Furthermore, the official position regarding payment systems, digitalization, and its components is presented. It is emphasized that for the most efficient use of digital technologies in various areas of society, the legislation should find a balance between public interests, economic needs, and technological capabilities.

Keywords: *blockchain, Bitcoin, cryptocurrency, crypto exchange, securities.*

АННОТАЦИЯ

В статье изложен правовой анализ регулирования блокчейна, биткойна и других криптовалют в Республике Узбекистан, рассматриваемых как один из новых платежных инструментов. Кроме того, представлена официальная позиция относительно платежных систем, цифровизации и ее составляющих. Подчеркивается, что для наиболее эффективного использования цифровых технологий в различных сферах жизни общества законодательство должно найти баланс между общественными интересами, экономическими потребностями и технологическими возможностями.

Ключевые слова: *блокчейн, Биткойн, криптовалюта, криптобиржа, ценные бумаги.*

INTRODUCTION

Globalization and the emergence of information society have led to the creation of a single world space - the Internet and other telecommunication networks. The development of new electronic devices is continuously transforming our lives. With the advent of modern software solutions in the banking system and the utilization of new technologies, our attitude towards money has also changed, with wages and payments becoming electronic. In today's digital age, electronic payments have become an indispensable part of the global economy, revolutionizing the way transactions are conducted. This shift from traditional payment methods to digital solutions has significant implications for consumers, businesses, and governments

alike, underpinning the importance of electronic payments in modern economic activities. Providing public services, promoting e-commerce, and using electronic payments in money transfers have all shifted towards electronic payment as one of the main methods of payment. This form of payment combines speed, efficiency, and relatively high security compared to traditional alternatives. Along with this, the use of electronic payments requires new legal and regulatory solutions to reduce the risks and threats inherent in the rapid development of electronic payment. In our country, significant efforts are being made to regulate these social relations legally.

Electronic payments streamline the transaction process, making it faster, more secure, and less cumbersome compared to traditional methods like cash or checks. This efficiency not only benefits the consumer experience but also enhances the operational capabilities of businesses. By reducing the transaction time and the cost associated with handling physical money, electronic payments contribute to economic growth. They enable businesses to expand their customer base beyond geographical boundaries, fostering global trade and opening up new markets.

DISCUSSION AND RESULTS

The rise of the digital economy is closely linked to the proliferation of electronic payment systems. E-commerce, online services, and digital platforms rely heavily on the ability to conduct transactions electronically. The convenience and immediacy of electronic payments support the growth of online businesses and services, contributing to the dynamism of the digital economy. Furthermore, the data generated from electronic transactions provides valuable insights for businesses, helping them to tailor their services and products to meet consumer needs more effectively.

While electronic payments offer numerous benefits, they also present challenges that need to be addressed to maximize their potential. Security concerns, such as fraud and cyber-attacks, pose significant risks to users of electronic payment systems. Moreover, the regulatory framework needs to keep pace with the rapid evolution of payment technologies to protect consumers and ensure the stability of the financial system. Governments and regulatory bodies play a crucial role in establishing standards and guidelines for electronic payments, safeguarding against risks while promoting innovation.

During the implementation of the Actions Strategy for the Development of the Republic of Uzbekistan for 2017-2021, efforts have been made to further enhance the effectiveness of reforms aimed at advancing the country's development, particularly in the financial sector. In this regard, significant measures have been taken to streamline the process of cashless transactions outside of banks, improve the payment system, and simplify the payment process. President of the Republic of Uzbekistan

Sh.M. Mirziyoyev's Decree No. PF-5296 of January 9, 2018, and Resolution No. PQ-3945 of September 19, 2018, were adopted to address these issues [1].

These Decree and Resolution emphasize the need to further develop the payment system, particularly by establishing an efficient information exchange system between commercial banks to manage account numbers in real time and conduct banking operations remotely. Additionally, tasks such as drafting regulatory documents on legal regulations for transactions with electronic currencies have been outlined [2].

Moreover, in the address to the Oliy Majlis (Parliament) on December 29, 2020, the President of the Republic of Uzbekistan emphasized the necessity of continuing reforms in the banking and financial system, as well as expanding modern market mechanisms. Specifically, tasks were set to expand the range of bank services through the introduction of new financial instruments and to underline the importance of developing the banking system based on advanced information technologies [3].

Regulation of electronic payments is directly linked to the regulation of payment systems. According to the definition by the Russian scientist O.I. Lavrushin, "The state's payment system is a collection of elements regulated within the framework of the law, which ensures the fulfillment of obligations arising in the process of economic activity" [4].

The regulation of electronic payments encompasses a set of fundamental principles aimed at ensuring the security, efficiency, and integrity of financial transactions in the digital age. These principles are critical for protecting consumers, promoting innovation, and maintaining the stability of the financial system.

Ensuring User Data Privacy

One of the paramount principles in the regulation of electronic payments is the protection of user data privacy. As electronic transactions involve the transfer of sensitive personal and financial information, regulatory frameworks must enforce stringent data protection standards. This includes encryption of data, secure transmission protocols, and robust privacy policies that limit the use of consumer information to authorized purposes only. Ensuring user privacy not only builds trust in electronic payment systems but also guards against identity theft and financial fraud [5].

Transparency and Accountability

Transparency in electronic payment systems refers to the clear and open communication of transaction details, fees, and terms of service to the users. Regulations should mandate service providers to disclose all pertinent information that affects the user's decision-making and rights. Similarly, accountability

mechanisms must be in place to address errors, disputes, and unauthorized transactions, providing users with timely redress and compensation [6]. These principles ensure that consumers are fully informed and can trust the integrity of electronic payment systems.

Protecting Users' Financial Assets

Protecting the financial assets of users is a critical principle that underpins the regulation of electronic payments. This involves ensuring the safety of funds during transactions and while stored in digital wallets or accounts. Regulatory measures include the implementation of security standards, regular audits, and the establishment of reserve funds or insurance schemes to cover losses from system failures, fraud, or insolvency of payment service providers. By safeguarding users' financial assets, regulators can foster confidence in electronic payment systems and encourage wider adoption [7].

Combating Fraud and Misuse

The fight against fraud and misuse is a continuous challenge in the regulation of electronic payments. Regulatory bodies must establish a legal and operational framework that deters fraudulent activities, monitors transactions for suspicious behavior, and implements anti-money laundering (AML) and counter-terrorism financing (CTF) measures [8]. This requires a collaborative effort among payment service providers, regulatory authorities, and law enforcement agencies to share information, develop advanced detection technologies, and enforce legal actions against perpetrators.

Adapting to Technological Innovations

The rapid pace of technological innovation in payment systems necessitates a flexible and forward-looking regulatory approach. Regulations must adapt to accommodate new payment methods, technologies, and business models while maintaining the core principles of security, privacy, and consumer protection [9]. This involves regular review and update of legal frameworks, engagement with industry stakeholders, and the promotion of innovation-friendly policies that encourage the development of secure, efficient, and accessible electronic payment solutions.

Laws on Payments can be categorized thematically as follows:

1. Law on the Regulation and Supervision of Clearing and Settlement Systems by the Central Bank:

This law establishes regulations for organizing and overseeing clearing and settlement systems, including bank-to-bank clearing and settlement processes. It

ensures the proper functioning and provision of services related to accounting, payments, and clearing operations.

2. Law on Payment Operations Ensuring the Rights and Protection of All Participants Until the Completion of Payment Operations:

This law ensures legal protection for all participants involved in payment operations until the completion of payment transactions. It aims to promote fairness and legal protection in payment operations among all parties involved.

3. Law on Payment Services Regulating and Supervising Unregulated Payment Service Providers by Financial Institutions:

This law regulates and supervises unregulated payment service providers by financial institutions. It sets requirements for providing unregulated payment services, defines service delivery conditions, and establishes mechanisms for monitoring their activities.

The purpose of the payment system is to facilitate financial transactions and manage financial resources. This system handles operations such as transfers, payments, and clearing, as well as organizing processes related to accounting and managing funds. It provides efficient and secure methods for executing, delivering, and storing financial transactions.

These relations are carried out at the state level by the Central Bank. Article 3 of the Law "On the Central Bank of the Republic of Uzbekistan" outlines the objectives and functions of the Central Bank, which include establishing, managing, and regulating the country's payment system, as well as facilitating cashless accounting for both physical and legal entities, organizing electronic payments, and developing measures to mitigate potential risks in the payment system. Pursuant to the Presidential Decree "On Measures to Develop the National Payment System" dated September 19, 2018, the task of creating a national payment system was implemented, and the Central Bank established the National Banking Processing Center – "HUMO" payment system. As a result, in conjunction with the "UZCARD" payment system, which is designated as one of the "important payment systems" identified in the Law "On Payments and Payment Systems," payment services are provided. This contributes to reducing the risk of potential economic damage resulting from deficiencies in significant payment systems.

On April 13, 2021, a memorandum was signed between the National Banking Processing Center and the Unified National Processing Center, specifying the commencement of accepting both types of cards at payment terminals. Additionally, within the framework of the memorandum, companies agreed to cooperate in the following areas:

- Protecting the interests of cardholders, banks, payment organizations, and retail outlets;

- Advancing technologies and expanding infrastructure to promote cashless payments;

- Implementing projects to ensure the reliability and information security of the payment infrastructure.

In summary, a series of measures have been implemented to improve and enhance the electronic payment system and further enhance the quality of service. However, there are still several issues in the electronic payment system today. These include:

1. A shortage of ATMs and information kiosks across the country's general banking network, as well as the malfunctioning of all ATMs.

2. The presence of checks for currency conversion when using bank payment cards abroad, as well as the existence of additional bureaucratic requirements when providing services for online payments using cards (VISA).

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