Overview

Currently, the government participates in the charter capital of 13 of 31 local banks, which have more than 87% of the capital, and 85% of the assets of the banking system. Reforms of the current system were laid out in the Decree of the Republic of Uzbekistan No. PF-5992 dated 12 May 2020, in the form of a long-term development strategy. The strategy summarizes the main directions of the development of the banking sector and approves a “Roadmap” for the development of the banking system of the Republic of Uzbekistan for 2020-2025.

Targets

The strategy is aimed at increasing efficiency, ensuring financial stability, decreasing the participation of the government, and increasing the accessibility and quality of financial services. After the reforms, the sector should achieve the following indicators by 2025:

- Assets of banks with no government participation should increase from 15% to 60% of total banking assets;
- Banks' liabilities to the private sector should increase from 28% to 70%;
- At least three foreign strategic investors, which have the necessary experience, knowledge, and reputation, should subscribe to the charter capital of at least three banks with government participation;
- The share of non-banking financial institutions in the total volume of lending should increase from the current 0.35% to 4%.

Privatizations of banks

The privatization of the banks is planned to be conducted in two stages: the institutional reorganization (transformation of the activity) within 2020-2021; and the sale of the government shares to strategic investors through tenders. Specifically, this will affect the following banks:

- JSMB “Ipoteka-bank” and JSCB “Uzpromstroybank” – in cooperation with the International Finance Corporation;
- JSC “Aloqabank” – in cooperation with the European Bank for Reconstruction and Development and the Asian Development Bank;
- JSCB “Asaka” – in cooperation with the European Bank for Reconstruction and Development;
The Project Office on the Transformation and Privatization of Commercial Banks with a Government Share was created for the privatization of the abovementioned banks. It is led by the first deputy minister of finance, who is authorized to conduct negotiations and enter into agreements with international consultants invited for consulting on the transformation of the banking system.

**Highlights from the Roadmap**

We have compiled seven main items from the Roadmap, which may be interesting to you or affect your business:

<table>
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<th>No.</th>
<th>Target</th>
<th>Mechanism</th>
<th>Implementation Period</th>
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<td>2.</td>
<td>Implementing new business-models of non-bank financing.</td>
<td>Creating a framework for the operation of fintech companies, and retail banking entities.</td>
<td>September 2020</td>
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| 3.  | Simplifying legislation regarding the participation of the banks in the securities market. | Amending the legislation to:  
- decrease the administrative barriers for the issuance and placement of bonds and other instruments by the banks, simultaneously increasing the supervision;  
- create a legal framework for the placement of the banks’ securities in international capital markets. | October 2020 |
| 4.  | Decreasing the dollarization of the economy. | Implementing stimulating and regulating measures for decreasing the level of the dollarization in the structure of banks’ assets, including:  
- the creation of the macroeconomic conditions to decrease the share of foreign currency in the assets and liabilities of banks;  
- the implementation of restrictions on the types of loans provided in foreign currency. | November 2020 |
| 5.  | Revising the procedures for licensing banks to ensure access for stable players with precise and long-term strategic initiatives to the market. | Development and publication of the Regulation “On the Procedures and the Conditions for Conducting Banking Activity”. | June 2020 |
| 6.  | Conducting an IT audit of commercial banks. | Involving qualified companies for IT audits of the commercial banks for inspecting and | July 2020 |

- JSCB “Qilshoq qurilish bank” and JSCB “Turonbank” – the merger of the banks will be achieved through the involvement of international financial institutions and consulting companies;
- JSC “Xalq bank” and JSCB “Asia Alliance Bank” – a sale of a controlling stake to foreign investors.
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<td>7.</td>
<td></td>
<td>assessing the operation of the automated banking systems.</td>
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<td>1. Involving international consulting companies to diagnose the effectiveness of the banks' information systems, their compliance with the existing requirements, and to assess the potential for implementing modern products;</td>
<td>June 2020</td>
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<td>2. Developing a set of measures for the modernization of the IT systems of the banks together with international consulting companies;</td>
<td>December 2020</td>
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<td>3. Implementing an automated system for collecting, processing and analyzing data based on “Big Data”;</td>
<td>2020-2021</td>
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<td>4. Optimizing and automating the administrative operation processes by implementing “RegTech” and “SupTech” technologies.</td>
<td>2020-2021</td>
</tr>
</tbody>
</table>

Automating the business processes of the banks to increase the quality of the provided services, increasing the operational effectiveness, forming verified information for assessing the true financial condition of the banks.

Should you have any questions regarding the strategy or regarding the Roadmap contact us. Our previous reviews of reforms in Uzbekistan, which may be interesting to you include:

1. On payments and payment systems;
2. On banks and banking activity;

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