REGULATORY AND LEGAL FRAMEWORK FOR DIGITAL BANKING SERVICES IN UZBEKISTAN

Anvar Normurodovich Mengniyozov
Termez State University
Senior Lecturer, Department of Finance

Abstract. *This thesis is devoted to a comprehensive analysis of the regulatory and legal framework governing digital banking services in Uzbekistan. The study examines the evolution of the normative-legal base in the context of the digital transformation of the banking sector, including licensing procedures, prudential supervision mechanisms, regulation of payment systems, as well as institutional and technological requirements imposed on digital banks. Furthermore, the paper analyzes the differences between remote banking services and the digital bank model, KYC identification methods, anti-fraud and cybersecurity requirements, minimum charter capital standards, and directions for supporting the fintech ecosystem. The findings demonstrate that a regulatory balance has been established in the digital financial services market – aimed at fostering innovation while ensuring financial stability.*

Keywords: *digital banking services, fintech, licensing, prudential supervision, payment systems, KYC identification, anti-fraud system, cybersecurity, digital transformation.*

The digital transformation of Uzbekistan's financial sector is one of the most dynamic processes in the country's economy. The transition from traditional banking services to high-tech digital ecosystems is driven not only by global trends, but also by the state's strategy aimed at economic liberalization and increasing the accessibility of financial services for the population. Regulatory and legal governance in this field serves as a foundation for ensuring a balance between innovative development and financial stability.

In recent years, Uzbekistan's legislative framework has been fundamentally updated to align with the requirements of the Fourth Industrial Revolution. As a cornerstone of this process, the Laws "On Banks and Banking Activities" and "On Payments and Payment Systems", adopted in 2019, established the legal foundation for digital banking operations and the legalization of electronic money.

The introduction of digital banking services represents not merely the creation of new service channels, but an institutional transformation that requires a comprehensive reconsideration of licensing, prudential supervision, consumer protection, and information security approaches.

In international practice, digital banking is defined as the provision of banking services through remote channels without the need for a physical visit to a bank branch. Within Uzbekistan's regulatory framework, this concept is clearly defined through the by-laws of the Central Bank.

According to the Regulation "On the Procedure and Conditions for Granting Permission for Banking Activities", a digital bank is a bank or its structural subdivision that provides banking services through remote service formats (information technologies, electronic payments, and others).

The legal nature of digital banks and network-based payment systems is aimed at establishing a specific form of cashless settlements. Unlike traditional banks, digital banks operate in a virtual environment, which imposes distinctive requirements on their identification protocols. Their operations are fundamentally based on cloud technologies, machine learning algorithms for credit risk assessment (scoring), and biometric authentication systems.

The most important aspect of legal regulation is the distinction between the concepts of "remote banking services" and a "digital bank." While remote banking services serves as an additional channel for a traditional bank, a digital bank is an entity whose business model is built from the outset without physical interaction.

This distinction is reflected in licensing requirements: the emphasis is placed not on physical premises or cash-handling equipment, but on the quality of IT infrastructure, anti-fraud systems, and the level of cybersecurity.

In Uzbekistan, the regulation of digital financial services has a multi-tiered character.

With the adoption of Law No. ORQ-578 "On Payments and Payment Systems" on November 1, 2019, the concepts of electronic money, payment organization, payment system operator, and agency network were formally introduced into the legal framework. The law regulates relations between payment service providers and users. Importantly, this law does not apply to transactions involving crypto-assets, which reflects the regulator's conservative approach toward high-risk virtual instruments.

Law No. ORQ-580 "On Banks and Banking Activities" establishes the general conditions for the operation of credit institutions, as well as the requirements for charter capital and governance bodies. It is this law that defines the exclusive right of banks to open and maintain accounts.

The Decree of the President of the Republic of Uzbekistan No. PF-5992 dated May 12, 2020, which approved the "Strategy for Reforming the Banking System of the Republic of Uzbekistan," has become a "roadmap" for the digital transformation of the sector.

The main directions of the Strategy include:

attracting investment into the fintech sector through the privatization of state-owned banks;

introducing modern IT solutions (Big Data, RegTech, SupTech);

increasing the share of remote services (raising the volume of cashless payments to 90%);

minimizing the impact of the human factor through automation.

To understand the effectiveness of regulation, it is necessary to examine the market structure. In terms of digital innovation, the private sector has significantly outpaced state-owned banks (Table 1).

Banking Sector Indicators (as of the end of 2024) (Table 1).[1]

Indicator	State-Owned Banks	Private Banks
Share in Total Banking Assets	67,79%	32,21%
Net Profit Margin	5,99%	Average 15,40%
Return on Equity (ROE)	7,36%	16,79%
Share of Non-Performing Loans (NPL)	67,81%	Significantly lower

The data indicate that private banks such as Kapitalbank, Anorbank, and TBC Bank are the primary drivers of digital innovation. For example, the ROE indicator in leading private banks reaches up to 38.56%.

The entry of a digital bank into the market is subject to strict supervision by the Central Bank. The regulator applies a two-stage procedure: obtaining preliminary authorization, followed by state registration and the issuance of a banking license.

In 2023–2024, the minimum charter capital requirements for banks were gradually increased (Table 2). This measure is aimed at ensuring financial stability.

Minimum Charter Capital Requirements for Banks (Table 2).[2]

Implementation Deadline	Minimum Charter Capital (billion UZS)
Until September 2023	100
From September 1, 2023	200
From April 1, 2024	350
From January 1, 2025	500

[1] Prepared by the author.
[2] Prepared by the author.

All digital banks, without exception, must be established in the form of a joint-stock company. Similar requirements apply to payment organizations: the minimum capital for payment system operators is set at 50 billion UZS, while for payment organizations it was established at 10 billion UZS in 2024 and will increase to 20 billion UZS from July 2025.

Particular attention is paid to IT infrastructure during the licensing process. The business plan must provide a detailed description of server equipment, data storage systems, and cybersecurity protocols. All servers processing the personal data of citizens of Uzbekistan must be physically located within the country.

With regard to personnel, the regulator assesses not only the qualifications and business reputation of senior managers, but also those of technical specialists (such as the CTO and CISO). In 2025, the compliance of more than 180 supervisory board members and key employees with qualification requirements was reviewed.

The Law "On Payments and Payment Systems" established a legal framework for electronic money and mobile applications.

The key challenge of digital banking is remote customer identification (Know Your Customer – KYC). Uzbek legislation permits several methods for this purpose:

1. Electronic Digital Signature (EDS) – the strongest form of legal authentication;

2. Unique identifiers – login, password, and one-time passwords (OTP);

3. Biometric identification – Face-ID and data verification against the database of the State Personalization Center (SPC).

Integration with the SPC database has enabled banks to issue online loans and open accounts without the direct participation of the customer. This has led to a rapid expansion of the microcredit market, with loans being approved within just a few minutes.

The establishment of the national interbank processing center "Humo" in 2019 introduced a competitive environment to the market and enhanced transaction security. Since 2020, the Instant Payment System (IPS) has allowed legal entities to conduct settlements on a 24/7/365 basis.

As of the end of 2025, the volume of settlements carried out through interbank systems reached 11,374.8 billion UZS, representing a 56.3% increase compared to the previous year. With the growth of digital transactions, fraud risks have also increased. In response, the regulator has strengthened security requirements.

A specialized cybersecurity center – CERT-CBU – was established under the Central Bank. The Center performs the following functions:

maintaining a registry of critical information infrastructure facilities;

conducting expert assessments of banks' IT systems for compliance with cybersecurity requirements;

monitoring cyberattacks and overseeing the mitigation of their consequences.

Since July 2024, a description of the anti-fraud system has been designated as a mandatory document for obtaining a license. These systems must analyze and block suspicious transactions in real time. Resolution No. PQ-381 of 2023 strengthened the protection of digital service consumers' rights: banks are required to disclose the full cost of credit and all commissions to the customer prior to signing the contract [3].

The year 2025 became a turning point for Uzbekistan's fintech sector. The Central Bank was granted the authority of the leading institution responsible for the development of the country's fintech industry.

In order to increase access to capital for small businesses, the institution of a microfinance bank was introduced. The right to use the term "bank" on the Internet was granted exclusively to legal entities registered in the Central Bank's official registry. A new Law "On the Rehabilitation and Liquidation of Banks" was adopted, legally clarifying the relevant procedures.

By the Presidential Decree of November 27, 2025, the following projects were approved:

1. Launched on a pilot basis in December 2025. From February 2026, all entrepreneurs will transition to a unified standard, enabling customers to make payments with a single code through any banking application;

2. By April 2026, a "roadmap" for the use of the "digital soum" as a means of payment will be approved;

3. API standards are being developed to facilitate data exchange between banks and fintech companies;

4. A USD 50 million venture fund and an innovation center are being established under the Central Bank to support fintech startups.

In conclusion, the regulatory framework for digital banking services in Uzbekistan has reached a mature and balanced stage. The state successfully combines stringent prudential requirements (such as increased capital thresholds and mandatory anti-fraud systems) with measures aimed at supporting innovation (including the "regulatory sandbox" and the establishment of a venture fund).

The results of 2025 demonstrated the steady development of digital financial services amid economic growth of 7.7% and a slowdown in inflation to 7.3%. The 35.2% increase in household deposits indicates growing public trust in the banking system, particularly in its digital channels. In the future, the full implementation of a universal QR code, the digital soum, and open banking systems will position Uzbekistan as a leading fintech hub in Central Asia.

[3] "On Measures to Strengthen the Protection of the Rights of Consumers of Digital Products (Services) and to Enhance the Fight Against Offenses Committed through Digital Technologies" Resolution No. PQ-381 of the President of the Republic of Uzbekistan dated November 30, 2023.

List of References:

1. Law No. ORQ-578 dated 01.11.2019 “On Payments and Payment Systems”.
2. Resolution No. 3252 dated 30.06.2020 “On Approval of the Regulation on the Procedure and Conditions for Granting Permission for Banking Activities”.
3. Presidential Decree No. PF-5992 dated 12.05.2020 “On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025”.
4. Systematic Reforms Implemented in Licensing and Permitting in 2025 – The Central Bank of the Republic of Uzbekistan.
5. Resolution No. 3431-1 dated 04.07.2024 of the Board of the Central Bank “On the Regulation on the Procedure for Licensing the Activities of Payment System Operators and Payment Organizations”.
6. Stages of Development of the Payment System in the Republic of Uzbekistan – Central Bank of the Republic of Uzbekistan.