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E-Wallet. Emission Of Electronic Money In Uzbekistan

The development of FinTech has leapfrogged for the recent two years in Uzbekistan. Concretely, emission and sale of electronic money ("**E-money**") was not regulated by the Uzbek legislation in the past. Herewith the very idea of creating a special electronic payment system was not feasible until 2020.

However, with the adoption of the two significant regulations: (1) Law "On payments and payment systems" No.578 ("**Law On Payment Systems**") in 2019 ; and (2) Resolution of the Central Bank's Board "On approval of the rules on the issuance and circulation of electronic money on the territory of the Republic of Uzbekistan" No. 3231 in 2020 ("**Rules On E-Money Emission**") – the option of E-money issuance have also become available in Uzbekistan.

In that way, as per the Law on Payment Systems, E-money – *"unconditional and irrevocable monetary obligations of electronic money emitter, stored in electronic form and accepted as a means of payment in the electronic money system"*. Such wise, E-money cannot be classified as non-cash money, while it is not tied to bank cards and stored in special electronic wallets ("**eWallet**"). According to the Rules On E-Money Emission, eWallet – *"an electronic money system software, a microprocessor (chip), software and hardware tool, which stores and provides access to E-money"*. Put simply, eWallet is an on-line electronic money keeper, set up by electronic payment system ("**EPS**") for each user registered in EPS, often accompanied by its unique ID number.

Abovementioned regulations were based on the best world practices. Nevertheless, Uzbek law sets a comparatively stricter framework for its e-money emitters. In contrast to Russian legislation, where banks or non-bank credit organizations (NCO) have the right to issue E-money, in Uzbekistan these are only commercial banks and the Central Bank of Uzbekistan ("**Central Bank**") who can issue it in Uzbekistan. **Moreover, emission of electronic money in Uzbekistan can be made only in national currency - Uzbek soums.**

The Central Bank is the main authorized body in the field of EPS. Through it pass all the necessary permitting and licensing procedures. Its control extends to all the main subjects of EPS, which are: **(1) the Bank-emitter; (2) the Operator; (3) the Agent; (4) eWallet user.**

Forthwith, a brief overview of all the regulatory conditions, required for the successful establishment of the EPS in Uzbekistan is provided on a step-by-step basis.

Step 1. Preparation of the required documents

As mentioned earlier, commercial banks or the Central Bank have the exclusive right to issue E-money in Uzbekistan. As a rule, an issuer can be one bank (single - issue system) or several banks (multi - issue system). To start emission and circulation of E-money, according to the Rules On E-Money Emission, the Bank-emitter must file the following documents with the Central Bank:

1. Notification on the commencement of issuing and circulating the E-money.

Notification on the intention to commence issuing comes from the Bank-emitter. Notification shall include the planned starting date of the issue, name of the Operator, settlement bank and EPS agents. The settlement bank can be either the Bank-emitter itself or any other bank.

2. Samples of contracts, concluded with subjects of EPS

- Contract with the Operator

The Operator must have the license of the payment organization. Notably, the Bank-emitter can simultaneously perform the function of the Operator, provided that it has a license of the payment organization. Otherwise, the Bank-emitter must conclude a separate agreement with the Operator. From the signing of agreement onwards, the Operator will act solely within the framework of the powers given to him on the basis of an agreement concluded with the Bank-emitter. Such an agreement will entitle the Operator to act on behalf of the Bank and, accordingly, conclude agreements on its behalf within the framework of the EPS.

- Rules on the functioning of the electronic money system

The issuing bank and the Operator develop the rules for the operation of the electronic money system. The Rules will control the entire process, starting with the issuance and ending by redemption of E-money.

- User agreement

The relationship between the Bank-emitter and the user is fixed by an agreement on the issue, use and redemption of electronic money, which should contain the conditions for issuing and conducting transactions with electronic money, the procedure and methods for presenting electronic money for repayment, the procedure for exchanging information between the Bank and the user, the responsibility of the parties etc.

Further on, the Bank-emitter or the Operator will have to provide the user with information about the name, location of the Emitter and the Operator, the

amount and procedure for charging a commission from an individual rewards;
and how to file complaints and how to handle them.

STEP 2. Obtaining of permit on issuance and circulation of E-money

Within 10 days after receiving the above documents, the Central Bank shall insert information on the starting date of the E-money emission to the Register of E-money system, which is maintained on the official website of the Central Bank. The issuing bank has the right to start emission from the date specified in the Register of E-money systems. Subsequently, upon the issue of the E-money, the emitter through the Operator and / or the Agent, issues a notification on receipt or other document to the E-money user confirming the fact of the sale and purchase of the E-money.

STEP 3. Intra-system compliance

As per Article 15 of the Law On Payment Systems, relationship between the Operator and / or the Issuing Bank and other participants of the EPS will be based on an agency agreement that defines the rights and obligations of the parties, the procedure and conditions for the sale and purchase of ED. The Bank-emitter and the Operator will take responsibility for the actions of participants. Thus, strict security obligations and risk management are imposed on both entities, especially in matters related to the detection of fraud and the legalization of proceeds from crime, the financing of terrorism and the proliferation of weapons of mass destruction (AML control).

Internal security and protection procedures shall ensure reliable protection of information from unauthorized intrusions, maintaining statistical data and reports, and storing data on all operations for 5 years.

Sources

- Law “On payments and payment systems” No.578 as of November 1, 2019 (“**Law On Payment Systems**”);
- Resolution of the Central Bank’s Board "On approval of the rules on the issuance and circulation of electronic money on the territory of the Republic of Uzbekistan” No. 3231 as of April 29, 2020 ("**Rules On E-Money Emission**”);