MODERN MECHANISMS AND LEGAL FRAMEWORKS FOR REGULATING COMMERCIAL BANK ACTIVITIES IN UZBEKISTAN

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Abstract: *This article analyzes the reforms in the banking system of the Republic of Uzbekistan, specifically focusing on the significance of the new editions of the laws "On the Central Bank" and "On Banks and Banking Activities" in regulating the sector. Furthermore, the application of international experience (Russia, Switzerland, Poland) and prudential supervision methods in monitoring commercial banks' activities are discussed.*

Keywords: *banking system, Central Bank, commercial banks, prudential supervision, financial stability, licensing, monetary policy, capital adequacy.*

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Introduction

In the context of the globalization of the world economy and intensifying competition, the stability of the banking system serves as a guarantee of a country's economic security. In Uzbekistan's strategy to join the ranks of the top 50 developed competitive economies, modernizing the banking system and implementing digital technologies are set as priority tasks. In this process, developing effective methods for regulating the activities of commercial banks is of paramount importance.

A New Stage in Banking System Regulation

The banking system in Uzbekistan is based on a two-tier model:

- **The First Tier:** The Central Bank of the Republic of Uzbekistan (the regulatory and supervisory body).

- **The Second Tier:** Commercial Banks.

The laws adopted in 2019 in their new editions brought a fundamental turning point to the banking sphere. Particularly, the Law "On the Central Bank," developed in cooperation with experts from the International Monetary Fund, is aimed at ensuring price stability and the security of the payment system.

Regulatory Powers of the Central Bank

According to the new legislation, the Central Bank is not merely a supervisory body but the primary institute managing inflationary expectations in the economy. Its main functions include:

- **Conducting Monetary Policy:** Managing market liquidity through the main interest rate.
- **Prudential Supervision:** Establishing mandatory reserve requirements and capital adequacy standards (minimum 100 billion UZS) for banks.
- **Remote Supervision:** Utilizing information and communication technologies to identify violations in banks remotely.

Independence and Responsibility of Commercial Banks

In accordance with the Law "On Banks and Banking Activities," commercial banks are independent in their operations and decision-making processes. Government agencies and their officials are strictly prohibited from interfering in the formation of banks' credit portfolios or their personnel policies. This, in turn, enhances the prestige of banks as commercial entities and improves the corporate governance system.

International Experience and Prudential Supervision Methods

Uzbekistan utilizes the advanced experience of countries such as Switzerland, Poland, and Georgia in the field of banking supervision. This experience is reflected in the following areas:

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1. **Liquidity Management:** Continuous monitoring of banks' ability to cover unforeseen expenses.

2. **Risk Management:** Using modern scoring models to assess credit and market risks.

3. **Transparency:** Increasing the trust of the population and investors by regularly publishing information regarding bank activities.

Conclusion

The effectiveness of banking system reforms is measured by the public's trust in the system. The modern supervisory methods employed by the Central Bank and the independence granted to commercial banks serve to provide financial support to the real sector of the economy. In the future, the wider application of digital banking and artificial intelligence technologies in supervisory processes will elevate the stability of the banking system to a new level.

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