

THE RESOLUTION
OF THE PRESIDENT OF THE REPUBLIC OF UZBEKISTAN
ON MEASURES TO STRENGTHEN LEGAL PROTECTION OF CREDITORS AND
IMPROVE ENTREPRENEURSHIP FINANCING MECHANISMS

A set of measures has been taken in recent years that were aimed at gradual deepening market reforms and liberalization of the economy; improving the business environment; developing competition; and promoting accelerated development of small business and private entrepreneurship.

Current level of economic development causes for business entities an increased need in lending resources, attracting investment and new mechanisms for financing advanced business projects.

However, inefficiency of the system for satisfying creditors' claims secured by a collateral of the value of pledged property – which guarantees the return of loan funds – negatively impacts the ability to raise additional funds.

Despite the availability of a legally established opportunity, banks and other credit organizations do not practice accepting movable property as a collateral, except for motor vehicles, as well as the subsequent collateral, even when the value of the pledged item is much higher than the loan amount.

With a view to further improve the investment climate in the country, promote the attraction of direct investments, and strengthen investor confidence in arranging and doing business in the country:

1. Agree with the proposal of the Ministry of Justice and the Central Bank of the Republic of Uzbekistan to establish an order – effective from 1 January 2019 – pursuant to which:

Claims of the creditors secured by the collateral of the value of the pledged property are satisfied in calendar order based on the date of making an entry in the collateral register of their rights to the debtor's property in the event of failure to perform or improper performance by the debtor of its obligations. Hereby, this procedure does not apply to the sequence of debiting funds from the debtor's account if they are insufficient to meet all the claims made on debtor;

Creditors-collateral holders – who have made entries in the collateral register of their rights to the debtor's property – have a preferential right to get their claims satisfied before the collateral holders who have not made the corresponding entry in the collateral register;

The creditor – who had financed the purchase of property under its security – has a preferential right (priority) to get his/her claims satisfied at the expense of this property, provided that he/she makes an appropriate entry in the collateral register;

A subsequent collateral shall be allowed provided that an appropriate entry is made in the collateral register without obtaining consent of the previous collateral holder;

The lease of the pledged property by the pledger is allowed without obtaining collateral-holder's consent, subject to the entry of the relevant record in the collateral register and notification of the collateral holder.

2. Extend:

The preferential right of the creditor also to the outputs and incomes (proceeds) received from the use or sale of the debtor's property, provided as collateral for the performance of obligations, unless otherwise provided by the contract;

The procedure for foreclosure of property (property right) established for the collateral, which is the object of leasing, purchase and sale with installment payment, lease and other transactions, where this property acts as collateral for the performance of obligations (security transaction);

The institute of the court order when foreclosing on movable property acting as a collateral or collateral to enforce creditor's claims – subject to presence of a written transaction.

3. Establish a procedure, pursuant to which:

Identification of the obligation secured by the property is allowed by indicating the maximum amount of the obligation that can be repaid from the value of this property;

Transactions involving property collateral for the fulfillment of obligations – including a collateral agreement – may be concluded through a general description (including a separate category) of the subject collateral security for the performance of an obligation without specification;

Property levied based on the claims of collateral holders or other creditors whose receivables are secured by this property may be sold on credit, by installments, leasing or through other transactions not prohibited by law, leased, except in cases of forced sale of property in accordance with the legislation on the execution of judicial acts and acts of other bodies.

4. The State Tax Committee and the State Customs Committee of the Republic of Uzbekistan shall ensure the timely entry in the collateral register of the record of claims for payment of taxes payable and other arrears in obligatory payments to the debtor in the order established by law.

5. The Central Bank of the Republic of Uzbekistan shall – within a month – submit to the Cabinet of Ministers proposals on changes and amendments to the legislation, which provides for at least two-fold reduction of the fees charged to businesses and individuals for making an entry in the collateral register, as well as for issuing an extract from collateral register.

6. The Cabinet of Ministers of the Republic of Uzbekistan shall – within a month – submit a draft Law to the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan, which provides for the implementation of the norms and requirements of this Resolution.

7. The National Information Agency of Uzbekistan, the National Television and Radio Company of Uzbekistan, together with the Central Bank and the Ministry of Justice of the Republic of Uzbekistan shall organize a wide coverage of the essence and significance of present Resolution.

8. Control over the execution of this Resolution shall be imposed on the Prime Minister of the Republic of Uzbekistan A.N. Aripov; Head of the Administration of the President of the Republic of Uzbekistan Z.Sh. Nizomiddinov; and First Deputy Advisor to the President of the Republic of Uzbekistan B.M. Mavlonov.

President of the Republic of Uzbekistan Sh. MIRZIYOEV

Tashkent
23 November 2018
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