



## NORMATIVE AND LEGAL BASIS AND LEGISLATIVE MECHANISMS OF MONETARY POLICY IMPLEMENTATION IN UZBEKISTAN

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### ABSTRACT

*This article scientifically analyzes the regulatory and legal framework for conducting monetary policy in the Republic of Uzbekistan and the legislative mechanisms for its implementation. The study covers the content and significance of the main regulatory and legal documents regulating monetary policy, in particular, the Constitution of the Republic of Uzbekistan, the Law "On the Central Bank of the Republic of Uzbekistan", the Law "On Banks and Banking Activities", and the regulatory documents of the Central Bank. It also assesses the powers of the Central Bank to ensure price stability, curb inflation and effectively use monetary policy instruments, and the impact of current legislation on the effectiveness of monetary policy. Based on the experience of foreign countries and a comparative analysis of national practice, scientific proposals and practical recommendations have been developed to further improve the legal framework for monetary policy in Uzbekistan, strengthen the institutional independence of the Central Bank, and develop legislative mechanisms for implementing monetary policy.*

**Introduction.** Monetary policy plays an important role in ensuring macroeconomic stability in the country, controlling the level of inflation and achieving sustainable economic growth. The effectiveness of monetary policy directly depends on the perfection of the regulatory and legal framework and legislative mechanisms regulating it. In recent years, the Republic of Uzbekistan has been implementing large-scale reforms aimed at improving the activities of the Central Bank, implementing monetary policy based on international standards, and introducing an inflation targeting regime. In this regard, the analysis of the regulatory and legal framework for conducting monetary policy, assessing the current legislative mechanisms, and identifying areas for their further improvement are of urgent scientific and practical importance.

**Literature review.** The theoretical and practical aspects of monetary policy have been studied by many foreign and domestic economists. In particular, Milton Friedman scientifically

substantiated the relationship between money supply and inflation, while John Maynard Keynes analyzed the impact of monetary policy on economic activity. Modern research focuses on the independence of the central bank, the inflation targeting regime, and the effectiveness of monetary policy instruments. The scientific works of Uzbek scientists cover the issues of improving monetary policy in the country, strengthening the legal framework of the Central Bank, and adapting international experience to national practice. However, there remains a need for a comprehensive analysis of the regulatory and legal framework and legislative mechanisms for conducting monetary policy from the perspective of modern reforms.

**Results.** The legal status, basic principles of activity, rights and powers, internal organizational structure and functional responsibilities of the Central Bank of the Republic of Uzbekistan are legally defined and regulated by the country's fundamental law - the Constitution, the special Law "On the Central Bank of the Republic of Uzbekistan" and a set of relevant regulatory legal acts. This solid legal foundation clearly defines the role of the Central Bank in the national economic system, its institutional independence from other state bodies and financial institutions, and its responsibility and accountability to the national economy.

In accordance with Article 124 of the Constitution of the Republic of Uzbekistan, the Central Bank is vested with the authority to manage the country's banking system. In addition, Article 1 of the Law "On the Central Bank of the Republic of Uzbekistan" reflects the legal norm that the Central Bank is recognized as an independent legal entity and that all material resources and assets on its balance sheet are the irrevocable property of the state of Uzbekistan.<sup>2</sup> At the same time, the Central Bank operates as a financially independent and self-sufficient institution that fully covers its current operating expenses mainly from its own sources of income, which are formed independently. The financial independence of the Central Bank allows it to make objective decisions, free from external pressure and political influence. This, in turn, serves as an important factor in increasing the effectiveness and reliability of monetary policy. The Central Bank's income mainly comes from interest on securities, currency operations and other financial services. The net profit exceeding the incurred expenses is transferred to the state budget in accordance with the established procedure. Thus, the financial independence of the Central Bank is an integral and fundamental component of its institutional independence.

**Table I.2.1<sup>3</sup>**

T/R	Chapter	Rules	Substances
1	Chapter I	General rules	1-9
2	Chapter II	The bank's financial condition	10-14
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4	Chapter IV	Central bank monetary operations	23-31
5	Chapter V	Organization of the monetary system and money circulation	32-39
6	Chapter VI	Currency regulation and international reserve management	40-43

<sup>1</sup> Constitution of the Republic of Uzbekistan. – T.: Uzbekistan, 2009. p. 33.

<sup>2</sup> Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan". 1995

<sup>3</sup> Law on the Central Bank of the Republic of Uzbekistan of December 21, 1995

7	Chapter VII	Central bank relations with the government	44-49
8	Chapter VIII	The activities of banks, microcredit organizations, pawnshops and credit bureaus, as well as regulation and control of the production of securities forms	50-54
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In addition, it is the only institution with the exclusive right to issue banknotes and coins, which are legal tender . The Central Bank performs the functions of regulating the national currency, controlling its circulation and ensuring its stability, acts as the main financial partner of the state government, official banker and authorized advisor on economic and financial issues, and regularly monitors the activities of commercial banks and other financial credit institutions, ensuring their compliance with established requirements. Its material and financial base consists of cash and non-cash funds, precious metals and papers, as well as various financial assets and other property values, the total balance of which is fully reflected in the official financial statements of the Central Bank and the bank balance sheet.

According to current legislation , the main objective of the Central Bank is to ensure the stability of the national currency. To achieve this goal, the bank performs a number of important tasks. In order to ensure the stability of the soum in international and domestic markets, the Central Bank systematically monitors the total volume of money supply in circulation, trends in the exchange rate of the national currency against foreign currencies, and current liquidity indicators in the banking and financial system. In addition, strengthening and increasing the level of confidence of the general public and households in the country's banking and credit system is among the strategic priorities of the Central Bank. Credit and foreign exchange operations carried out by the Bank directly or indirectly affect the volume of production, export-import indicators , employment levels, and economic activity .

The Central Bank has special powers in the field of currency regulation. In particular, it adopts mandatory regulatory legal acts on currency control , issues or revokes licenses for foreign currency transactions, sets limits on open currency positions, develops a procedure for determining the exchange rate of the national currency against foreign currencies, and manages international reserves. Maintaining the stability of the financial system is also one of the important areas of the Central Bank's activity . To this end, control is established over the activities of banks, credit unions, microcredit organizations, and pawnshops .

The Central Bank conducts state registration of financial institutions , issues licenses to them and maintains relevant registers. At the same time, certain types of banking activities are prohibited by law. In particular, the Central Bank cannot engage in financial assistance or carry out commercial activities. These restrictions serve to maintain its independence and effectively conduct monetary policy.

The Central Bank is accountable to the Senate of the Oliy Majlis. The Senate reviews the annual report of the bank and the independent auditor's report every year . In addition, reports are regularly published on the current situation in the monetary sphere and the main directions of monetary policy . In accordance with the requirements of the current legislation, the Central Bank has the right to make decisions

independently within the limits of its powers, and the regulatory legal acts and instructions adopted by it have binding legal force and are subject to unconditional execution by all organizations, enterprises and citizens registered in the territory of the republic.

As is well known, the main strategic task of the Central Bank is to ensure the continuous internal and external stability of the national currency. Internal stability is understood as maintaining low and stable inflation rates within the established target indicators, while external stability implies maintaining the exchange rate of the national currency against foreign currencies, in particular against major world currencies, at a relatively consistent and predictable level. Currently, the issue of a full transition to an inflation targeting system is gaining relevance .

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