

WORKING GROUP 1 - MINUTES

Event: Minutes of the FIC Working Group Meeting “Financial sector and banking”

Date: Friday, Feb.10, 2023

Duration: 15.00-17.00

Moderated / Chaired by: Golib Kholjigitov, Head of FICS

Present from FIC: Golib K., Avazbek M., Gamlet, Nargiza, Gulnoza

Present from stakeholder and investors: EBRD - Mr.Kh.Narmuratov, MIIT – Mr.Tengiz Asanov, EBRD, World Bank, ADB, IDB, Knauf, ADFD, EY, PWC, KPMG, Deloitte, Kosta Legal, White& Case, Tenge Bank, TBC, Visa, Calik Holding, Mitsibishi Corp..

Venue: EBRD Office, 12th floor, Tashkent

Next meeting: Feb.17 ,2023, Time: 15.00; Venue – MIIT.

Representatives of EBRD - Mr.Kh.Narmuratov, MIIT – Mr.Tengiz Asanov gave opening remarks.

DISCUSSION TOPICS:

1. Husan Hasanov, Field representative of IDB – highlighted that currently there is no legislation regarding Islamic banking in Uzbekistan. IDB started cooperation with CBU on Islamic microfinance. It started to create “Vaqf” regulation in Uzbekistan. Demand for Islamic banking is very high. For operational purposes CBU provisions are needed (more than 90% of population of Uzbekistan are Muslims, development of Islamic finance will foster development of banking sector and will serve to decrease the share of shadow (informal) economy).

Proposal: To conduct detailed analysis and prepare - Islamic Banking and Finance Development Road Map for Uzbekistan.

2. Dmitriy Derepalko, Knauf, General Director - cross-border payments. There is a need for the development of regional cross-border payments (payment systems) and trade finance facilities (for the last 6 years regional cooperation in Central Asia is booming, as a result we observe high growth in regional trade, all regional countries are in the top-10 trade partners of Uzbekistan).

Proposal/Issue: To conduct detailed analysis and prepare thought-through proposal on the Development of regional cross-border payments (payment systems) and trade finance facilities.

3. Timur Rakhmanov, ADFD, General Director – biggest issue of undeveloped framework when we engage with the investors with their charter capital. Even there is nothing wrong to work of international companies, but there is a problem to evaluate their charter capitals and offshore finance sources. Usage of convertible loans will be effective to finance ventures, like in the Russia at least since they have a hybrid model.

Proposal/Issue: To develop a framework which will allow to engage with investors' charter capital from offshore sources, as well as to use convertible to finance ventures.

4. Shahruh Khakimov, Tenge bank, the First deputy chairman of the Board - recent experience in the financial market of Uzbekistan has shown that the resource base and the level of financial intermediation in the banking sector remain insufficient for the scale and needs of the economy. Based on international experience, I note that the main source of raising funds by banks should become the mobilization of domestic resources and their re-channeling for economic development.

One of the tools for such mobilization can become internal and external amnesty of capital. Realized in a well thought out way the amnesty program may serve to attraction of substantial financial resources, increase of investment activity in the country, lay down the background for forming a solid class of large and medium-sized entrepreneurs, who are ready to invest and develop the national economy.

Proposal/Issue: To mobilize domestic resources and their re-channeling for economic development through amnesty of capital.

5. Nail Hasanov, Kosta Legal, CEO - we need to agree how we will form our proposals and how to submit them.

What we are facing time to time is lack of information. We are meeting with consultants to understand the whole thing and how it works. Maybe we need to meet with government agencies to discuss issues to correctly tackle and resolve existing issues in order to explain the government the real situation. Government needs to help us with information and provide access to it.

6. Nikita Kuznetsov, KMPG, Deal Advisor - problems in terms of credit portfolio, getting approvals of banks, imperfections of controlling of the companies.

7. Roman Lesnikov, EY - how banks work with their portfolio and instruments and how to evaluate them.

8. Jahan Shamsiev, EBRD, Banker – in the current situation hedging risks may be very expensive, adopting new legislation for Islamic banking will need more time, that's why in short and middle term it would be better to implement Islamic finance products through amendments to existing legislation.

9. During the meeting various other comments and topics were raised from the Working Group participants, such as:

1. to develop trade finance instruments
2. lack of correct information from the government sources
3. to develop Facilitating M\$A transactions
4. to develop Digitalization of financial services
5. to develop Capital markets development
6. to develop Data privacy and banking confidentiality
7. to develop Forfaiting and Factoring
8. to develop financial infrastructure.

RESOLUTION / ACTION PLAN

Topics	Resolution /Proposal	Responsible	Timeline / Status
1. Islamic Banking and Finance	<ul style="list-style-type: none"> – Separate subgroup will be opened for IB – To conduct detailed analysis and prepare - Islamic Banking and Finance Development Road Map – Law on Islamic Banking, provision and other legal document adoption – Roadmap – 3-page scheme 	IDB MIIT Central Bank Minfin IFIs FICS	2023-2024
2. Banking sector reform	<ul style="list-style-type: none"> – Tashkent International Finance Center – Bad bank loan – Digital banking 	Deloitte MIIT Central Bank Minfin IFIs FICS	2023-2024
3. Cross-border payments (payment systems) and trade finance	<ul style="list-style-type: none"> – To conduct detailed analysis and prepare proposal on the Development of regional cross-border payments (payment systems) and trade finance facilities. 	MIIT Central Bank IFIs FICS	2023-2024
4. Charter capital, offshore sources, convertible instruments to finance ventures.	<ul style="list-style-type: none"> – To develop a framework which will allow to engage with investors' charter capital from offshore sources, as well as to use convertible financial instruments to finance ventures. 	MIIT Central Bank Minfin IFIs FICS	2023-2024
5. Mobilization of domestic resources to support the banking system	<ul style="list-style-type: none"> – Mobilization of domestic resources and their re-channeling for financial support of economic development through amnesty of capital. 	MIIT Central Bank Minfin IFIs FICS	2023-2024
6. To provide better access to quality data for investors	<ul style="list-style-type: none"> – Need to conduct diagnostics to analyze issues, propose one-stop-shop approach in this 	MIIT Minfin Line ministries IFIs FICS	2023-2024
7. Various	<ul style="list-style-type: none"> – to develop trade finance instruments – lack of correct information from the government sources – to develop Facilitating M\$A transactions 	TBD	TBD

	<ul style="list-style-type: none">- to develop Digitalization of financial services- to develop Capital markets development- to develop Data privacy and banking confidentiality- to develop Forfaiting and Factoring- to develop financial infrastructure.		
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