



THE ESSENCE OF THE LAW ON BANK SECRET OF THE REPUBLIC OF UZBEKISTAN

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Article history:	Abstract:
Received: May 6 th 2022 Accepted: June 6 th 2022 Published: July 17 th 2022	This article describes banking activity, which forms the basis of the financial sector and is considered one of the economic drivers of the state. In this article banks and banking activities of the Republic of Uzbekistan, regulation of the database constituting bank secret, what information constitutes bank secret is discussed. Activities related to obtaining and working with this category of information are analyzed on the basis of legislation

Keywords: banking activity, confidentiality legislation, client and bank information, finance

Today, the basis of financial activities, the foundation of relations between countries, and the monetary affairs that form the economic foundations of society are organized through banks and their activities.

Before focusing on the factors that make up bank secrecy, let's take a look at the history of the origin of banking activity and why the importance of bank secret increased during the 2 World Wars and why countries like Switzerland or Luxembourg have high trust in banking activities and banks.

The modern bank was founded by M. Rothschild, who came from a Jewish family, and introduced the secret of financial affairs and the determination of profitable exchange rates. At first, he opened a private shop in Frankfurt to exchange various state coins and medals, and later he opened a private bank. The bank provided loans to many countries during the war and implemented the principle of profit through loans, which is the basis of the bank, and guarantees not to disclose information about loans and deposits to any person or government authorities.

This introduces the rule that secrets about the first bank and its activities should not be shared with anyone.

In Switzerland in the early 1700, bank secrecy and customer confidentiality regulations were introduced. It was started as a way to protect the interests of European banks. In 1934, the Federal Law "On Banks and Savings Banks" was adopted in order to ensure bank secret.

Today, this country is considered to be the leading state bank in the world.

Bank secret, on the other hand, is an agreement that includes financial secrecy, bank security, and ensures that all transactions between the bank and its customers remain confidential and private.

The practice known as bank-client security¹ or banker-client privilege² was started by Italian merchants in the 1600s³ near northern Italy.

This arrangement is often ideally developed in financial centers such as Switzerland, Monaco, Luxembourg, Hong Kong and Singapore.

When did the implementation of financial transactions and the protection of customer confidentiality in banking activities in Uzbekistan begin.

At first, on April 25, 1996, the Law "On Banks and Banking Activities" regulating banking activities, this law was later adopted in a new version in 2019, based on which the concept of banking, implementation of financial operations and other concepts were given.

Before we find out what bank secret is and analyze it, let's go to the concept of banking.

A bank is a legal entity that is a commercial organization that performs operations related to opening accounts, making payments, deposits and loans, which form the basis of money transactions.

As a basis for regulating banking activities and maintaining the confidentiality of clients, it would be appropriate to refer to the Law of the Republic of

¹ Thomasson, Emma (April 18, 2013). "[Special Report: The battle for the Swiss soul](#)". *Reuters*. Retrieved May 19, 2018.

² Schütz, Dirk (2000). *The Fall of UBS: The Forces that Brought Down Switzerland's Biggest Bank*. Pyramid Media Group. [ISBN 9780944188200](#).

³ [Guex \(2000\)](#), p. 237



Uzbekistan "On Protection of State Secrets" ⁴adopted on May 7, 1993, according to which the state authorities and management bodies, all organizations of the form of property, Uzbekistan. It has been shown that the military structures of the republic and its citizens organize state secrets in all types of activities within the territory of the republic and outside it.

Article 786 of the Civil Code of the Republic of Uzbekistan and the Law of the Republic of Uzbekistan "On Bank Secret" define the concept of bank secret. Banks guarantee the confidentiality of customer account numbers, bank statements, transactions and customer information. Bank secret information is provided only to clients themselves or their representatives.

Such information is provided to state bodies and their officials only in cases specified by law. It was emphasized that in cases where the bank discloses the client's bank secret information, the client whose rights have been violated has the right to demand compensation from the bank for the damage caused.

Also, it is prohibited to use bank secret information in open service letters, dissertations, articles, reports, and to communicate with third parties about bank secret information through communication channels.

Based on the above, on August 30, 2003, the Law "On Bank Secret" was adopted, which discloses the nature of bank secrecy and financial operations, which is considered a permanent duty of the Bank.

It is noted that this law consists of regulating relations in the field of obtaining, storing, protecting, announcing and presenting information constituting bank secrets.

In this regard, Article 3 of the Law ⁵"On Bank Secret" also specifies information constituting bank secret:

- information on operations, accounts and deposits of their clients;
- information received by the bank about the client (representative) in connection with the provision of banking services to its client (representative);

- information about the property of the client (representative) stored in bank safes and buildings, its nature and value;
- information on interbank operations and transactions carried out at the request of the client (representative) or for his benefit;
- information about a client (representative) of another bank, which became known as a result of the exchange of bank secret information between banks;
- the participants of the funded pension system, the movement of the number and amounts of pension funds, the information on the pension funds in the private pension accounts of citizens.

In addition, in Article 5 of the above-mentioned law, it is indicated in which cases disclosure of information constituting a bank secret should be taken into account. According to it, the announcement, dissemination or disclosure of this type of information by any means, the disclosure of the bank secret as a result of violation of the order of storage of such information by the persons entrusted with the information in connection with the performance of the service duty is considered to be the disclosure of the bank secret.

Also, bank secret information is provided with the sanction of the prosecutor in the following cases

- to the prosecutor's office, preliminary investigation and investigation bodies in order to determine the circumstances of criminal cases in their work, as well as to ensure the recovery of the damage caused or the transfer of property - according to the justified decision of the investigator;

- in order to fulfill the duties assigned to the bodies performing rapid search activities in their operations, it was taken into account that a reasoned decision approved by the head of the body performing rapid search activities should be issued⁶.

The submission of bank secret information to state bodies, courts and law enforcement bodies, if there are legal grounds for this, is carried out by sending them to the requesting body in a closed and sealed

⁴ On keeping state secrets // Law of the Republic of

Uzbekistan dated 05.07.1993 No. 848-XII

⁵ On bank secrecy//Law of the Republic of Uzbekistan, No.

530-II of 30.08.2003

⁶ Law "On Amendments and Additions to Certain Legislative Documents of the Republic of Uzbekistan" No. ORQ-697, 28.06.2021. <https://lex.uz/uz/docs/5478726>



envelope or in the form of an electronic document through the information system through protected communication channels.

In addition, in order to ensure the speed of the information constituting the bank secret and to ensure the speedy exchange of information, in order to ensure the safety of their activities, to guarantee the return of deposits, loans and other investments, banks must exchange information about their clients (representatives) in the manner and within the scope established by law and to each other.

At the same time, in Articles 54 and 66 of the Law of the Republic of Uzbekistan "On Banks and Banking Activities", it is taken into account that the violation of any kind of bank secret information is interpreted as a serious violation.

These include violations of legislation on bank secret, legal requirements on combating the legalization of proceeds from criminal activities, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction.

Information on the general terms and conditions of the provision of banking services, brokerage fees, tariffs and interest rates for the provision of banking services is public information, which is published on the bank's official website. It is indicated that this information cannot be the subject of commercial or banking secrets.

Today, the Decree of the President of the Republic of Uzbekistan dated 12.05.2020 "On the strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025"⁷ was adopted to increase the confidence of legal entities and individuals in banking activities, increase their deposits and strategically privatize the banking system. done

According to it, with the help of international financial institutions, step-by-step privatization of state shares in "Ipoteka-bank" JCB, "Uzsanoatkurilishbank" JCB, "Asaka" JCB, "Alokabank" JSC, "Kishlok Kurilish Bank" JCB and "Turonbank" JCB, in the first stage their institutional change (transformation of their activities), and in the second stage, the sale of the package of state shares is taken into account.

This, in turn, leads to a wide attraction of foreign investors, an increase in deposits and, in fact, an increase in bank investment activity.

According to the above, it can be concluded that the acquisition, transfer and exchange of

information related to banks and their activities are limited and protected by law.

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⁷ Decree of the President of the Republic of Uzbekistan