



## **MODERN APPROACHES TO UNDERSTANDING ASSETS IN THE DIGITAL ECONOMY**

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<b>Received:</b> April 6 <sup>th</sup> 2023 <b>Accepted:</b> May 6 <sup>th</sup> 2023 <b>Published:</b> May 8 <sup>th</sup> 2023	The article examines the existing in practice and in theory methods for finding and using new tools for financing the investment activities of companies, types of assets, the level of prevalence of crypto assets in the digital economy. The main distinguishing feature of the modern economy is its functioning in the context of the ongoing informatization of society and its full foundation on intellectual capital. In turn, informatization and intellectualization of public life lead to a fundamental change in the essence of modern business and the emergence of new tools for financing investment activities. In the world practice, activities for the placement and attraction of investments using investment platforms are actively developing. In the economy of the Republic of Uzbekistan, issues related to state and legislative regulation of activities that arise in the field of attracting investments using investment platforms are only at the stage of formation.
<b>Keywords:</b> Digital economy, property law, cryptocurrencies, information technology, token, blockchain, digital platform, asset management, investment activity financing	

### **INTRODUCTION.**

To date, the Republic of Uzbekistan is consistently taking comprehensive measures to actively develop the digital economy, as well as the widespread introduction of modern information and communication technologies in all sectors and areas, especially in public administration, education, healthcare and agriculture. These actions are taken not only for the internal growth of the state, but also to expand international economic relations and attract foreign investment. This is evidenced by bilateral agreements with other countries on foreign investment, their promotion and protection, as well as international investment agreements. In this regard, the entry of the Republic of Uzbekistan into the modern global investment process necessitates ensuring the compliance of the national legislation on foreign investment with the norms of international law, taking into account the gradual onset of the digital era.

In the current situation, for the development of the digital economy in the Republic of Uzbekistan, it is necessary to identify and solve problems of improving the current legislation on the regulation of cryptocurrencies, identifying modern international approaches and standards developed by foreign countries, and their implementation in the legislation of the Republic of Uzbekistan with determining the role of cryptocurrencies in the digital economy.

The current scenario requires careful study of specific links, as well as phenomena such as an evolving digital society and economy. With the active use of

modern information technologies, the digitization of legal interactions in the social sphere of the state penetrates into the management and the sphere of changing investments.

According to the Decree of the President of the Republic of Uzbekistan dated October 5, 2020 No. PP-6079 "On approval of the Digital Uzbekistan-2030 strategy and measures for its effective implementation", the development of the digital economy is one of the key areas of our society, where actions are being taken to introduce information - communication technologies in all spheres of the country's life [1].

In addition, according to the Decree of the President of the Republic of Uzbekistan "On measures to develop the digital economy and the sphere of circulation of crypto-assets in the Republic of Uzbekistan", one of the most significant tasks for the growth of the digital economy is the use of blockchain technology to diversify investment activities [2].

In his work, the President of the Republic of Uzbekistan stated that one of our most important economic tasks is to strengthen the authority of the Republic of Uzbekistan on the world stage, increase the volume and variety of international investments attracted by strengthening the economic and international ties of our country with other countries, expanding the promotion of modern financial opportunities of our countries. One of the most important tasks for the development of the digital economy is the diversification of various forms of



investment and entrepreneurial activity, which will allow obtaining various types of activities in the field of cryptocurrency circulation [3].

## **MATERIALS AND METHODS.**

The objective trends in the development of the modern world economy indicate that an increasingly important role in the economic activity of society is played by the economic sciences of knowledge and information, i.e. high-tech information technologies are becoming the main factor of production. In the development of the world economy, there is also the emergence of new areas of entrepreneurial activity - information and intellectual business. Consequently, a distinctive feature of the modern economy is its functioning in the context of the ongoing informatization of society and its full foundation on intellectual capital. In turn, informatization and intellectualization of public life lead to a fundamental change in the essence of modern business and the emergence of new financial investment instruments on Internet sites [4].

Thus, the relevance of the study of our work is caused by the increasing influence of informatization of society on the search and use of new forms and methods of financing investment activities at the present time. The goal is to study modern trends in the development of investment activity financing in the digital economy. To achieve this goal, the paper analyzes ways to accumulate free capital in society and invest it in the real sector of the economy in the context of digitalization of society using investment platforms. The object of the study is the investment market, the subject of the study is the sources and methods of financing investment activities in the context of the digitalization of society. The concept of digital economy V.A. Waipan defines as "a system of economic relations in which data in digital form is a key factor in production", and "economic activity is carried out using electronic or digital technologies", while emphasizing goods and services [5]. Cryptocurrency tokens are digital assets created on the basis of blockchain technology and issued as part of cryptocurrency projects [6]. Tokens can be used to provide access to various products and services, provide funding for projects, exchange for other cryptocurrencies or fiat money, and much more.

### **Features of cryptocurrency tokens:**

1. Decentralization: Tokens operate on the basis of blockchain technology, which allows them to function without the participation of central authorities.

2. Transparency: transactions with tokens are open to all participants in the blockchain network, which

ensures transparency and traceability of all transactions.

3. Irreversibility: transactions with tokens cannot be reversed or changed, which protects network participants from fraud.

4. Quantity Controlled: The number of issued tokens is strictly limited, making them rare and valuable.

5. Programmability: Cryptocurrency tokens can be written using smart contracts, which allows you to create different rules and conditions for their use.

6. Possibility of division into shares: tokens can be divided into smaller shares, which makes them easier to use in various scenarios.

7. Anonymity: transactions with cryptocurrency tokens provide a high level of privacy and anonymity, which can be useful in various situations.

Overall, cryptocurrency tokens are a unique asset class with many features and benefits that make them attractive to investors and users. Cryptocurrency tokens are an important element of the blockchain ecosystem, as they allow the creation and use of new digital assets based on blockchain technology.

### **Some of the key roles of cryptocurrency tokens in the blockchain ecosystem include:**

1. Medium of exchange: Cryptocurrency tokens can be used as a medium of exchange, as an alternative to traditional currencies. Such tokens allow buying and selling operations on platforms that support cryptocurrencies, as well as within ecosystems that use tokens as means of payment.

2. Medium of investment: Some cryptocurrency tokens can be used as a medium of investment. This may include purchasing tokens during their initial offering or participating in token sales organized by companies that use tokens as a tool to fund their projects.

3. Voting medium: Cryptocurrency tokens can be used as a voting medium in various voting and consensus mechanisms that are used in blockchain systems. This allows token holders to take part in the management of the blockchain system and make decisions that affect its operation.

4. Means of access to resources: Some blockchain systems may use cryptocurrency tokens as a means of access to certain resources or services that are provided within the ecosystem. Tokens can be used to pay for access to resources such as computing power, network bandwidth, data storage, and others.

5. Means of performing actions: Cryptocurrency tokens can be used as a means of performing certain actions in the blockchain system. This may include issuing new tokens, generating blocks, managing crypto



assets, and making community voting decisions. For example, participants in a blockchain system can use tokens to pay transaction fees, vote on protocol changes, or make decisions about network development.

6. Investment vehicle: Some crypto-currency tokens can be considered as investment vehicles, allowing investors to profit from the growth of their value in the market. Such tokens are often issued as part of Initial Coin Offerings (ICOs), which are a mechanism to attract investors to blockchain projects.

7. Alternative to traditional means of payment: Cryptocurrency tokens can be used as an alternative to traditional means of payment such as cash or bank cards. For example, some online stores and companies already accept payments in cryptocurrencies, which can be a convenience for users, especially for those who do not have access to banking services [7].

8. Platform for building decentralized applications: Cryptocurrency tokens can be used as a platform for building decentralized applications. Tokens can be used as a unit of account or means of payment for using the application.

## **RESULTS OF THE RESEARCH.**

Blockchain technology and cryptocurrencies have a huge potential to change the economic and financial system in the world. Despite some problems and challenges related to the regulation of cryptocurrencies, some countries are already taking effective measures to manage these innovative technologies.

For example, Japan has taken regulatory measures that have allowed it to become one of the most crypto-friendly countries in the world. They have implemented laws to regulate cryptocurrency exchanges and protect users from scams and other issues. In addition, Japan is actively promoting the development and use of blockchain technologies in various industries.

Japan regulates crypto assets under the Payment Services Act (PSA) amendments that were enacted in 2016 and 2017 and the Financial Instruments and Exchange Act (FIEA) enacted in 2019 [8]. These laws were designed to improve the regulation of crypto exchanges in Japan and to ensure that digital assets with securities-like features are also regulated. The possession, use and exchange of cryptocurrencies is legal in Japan as required by these laws and other applicable regulations.

Japan is the most progressive country in terms of cryptocurrency regulation practices. These actions allow it to stay ahead of competitors in the field of

technological development of countries and the use of advanced technologies and create fertile ground for the transition to the next generation of the Internet, which is called Web 3.0.

The United States has also seen an increase in interest in cryptocurrencies and blockchain, and therefore various legislative measures are being taken to regulate them. One example is the Investor Protection Act [9], which was introduced in 2021 and is aimed at strengthening the regulation of cryptocurrency exchanges.

In the United States, cryptocurrencies are not recognized as legal tender and are regulated at the federal level in accordance with the laws of individual states. Cryptocurrency exchanges are legal in the United States and are subject to the Bank Secrecy Act (BSA). In practice, this means that cryptocurrency exchange service providers must register with FinCEN, submit the POD/FT program, maintain appropriate records, and submit reports to the authorities. Meanwhile, the U.S. Securities and Exchange Commission (SEC) said it considers cryptocurrencies to be securities and applies securities laws comprehensively to digital wallets and exchanges. In contrast, the Commodity Futures Trading Commission (CFTC) has taken a more friendly "do no harm" approach, describing bitcoin as a commodity and allowing public trading of cryptocurrency derivatives.

In Europe, laws and regulations related to cryptocurrencies and blockchain are also gradually being developed. For example, in May 2021, the European Union introduced a bill on digital financial services (Digital Finance Package) [10], which proposes the regulation of cryptocurrency exchanges and other entities operating in the field of digital financial services.

The French Financial Market Authority (AMF) and the Supervisory Authority (ACPR), for example, recently issued a joint notice to investors warning of the current uncontrolled state of cryptocurrencies. According to the study, cryptocurrencies are not considered financial instruments under French law and therefore are not subject to the de facto system of foreign exchange regulation or AMF supervision. In addition, AMF and ACPR stated that cryptocurrencies are not regulated and that investing in them increases volatility. The AMF also examined the status of crypto derivatives, concluding that "cryptocurrency cash-settled contracts may qualify as a derivative" and that "online platforms offering crypto derivatives are subject to the Markets in Financial Instruments Directive of the European Union and, as a result, must comply with the authorization, business rules and trade reporting obligations of the European Market Infrastructure



Regulation for cryptocurrency derivatives" [11]. At the same time, the French government has taken a financial sector measure that creates a legal framework for cryptocurrencies and primary coins.

The idea that cryptocurrencies are dangerous because of their anonymity is already widespread. The ability to hide the real person carrying out a cryptocurrency transaction allows such transfers to be used for illegal purposes (corruption, money laundering, terrorist financing). Proponents of open, decentralized, private and anonymous crypto networks, on the other hand, do not want centralized authorities to interfere in their truly free market. Thus, there is an increasing interest in cryptocurrencies and blockchain on the world stage, as well as the adoption of appropriate regulatory measures. In the future, even more effective and extensive laws and regulations are likely to be developed to govern this new technology.

On the one hand, investments are used to develop the information society itself, on the other hand, the new information economy creates new conditions for collective (people's) investment. Such an example of the use of financial investment tools is crowdfunding, a detailed description of which is given by the author in a previous paper [12]. It is characterized as "collective cooperation of people who voluntarily pool their resources, usually via the Internet" to support the efforts of others in the implementation of a wide variety of investment projects. Crowdfunding is a broad concept that most often includes both crowdlending and crowdinvesting. Simply put, they understand the process of raising funds on the Internet for any goal / idea (project). At the same time, the project can have both commercial and non-commercial orientation. Actual problems of the development of crowdfunding in Russia are also considered by Yu.A. Kolesnikov and M.Yu. Sharapov [13]. They note that it is necessary "in the legislation to formulate and delineate the concepts of crowdfunding and its individual types - crowdlending, crowdinvesting, charitable crowdfunding and others, directly limiting these types of banking activities." Crowdlending is understood as a service of mutual lending, which is implemented with the help of intermediaries - investment platforms. It includes two types of loans:

- P2P (peer-to-peer) – peer-to-peer; lending by one individual to another;
- P2B (peer-to-business) – lending by an individual to a legal entity (company).

In this case, an investor can invest a small amount in several projects at once in order to diversify risks, and investment sites analyze borrowers. Crowdlending collects about  $\frac{3}{4}$  of the funds of all types

of "people's lending". Crowdinvesting has a commercial focus and, as a rule, requires more expensive investments than in the case of crowdfunding or crowdlending. This is usually about lending to small businesses. If the company has shares, then you become its shareholder, and the process in this case is similar to buying shares in the stock market. If there are no shares, then other options for registering a share in the company may be offered, and if crowdlending usually provides for a pledge from the borrower, then there is none here. In general, current trends in the development of investment financing in the digital economy indicate that crowdfunding with its varieties is an alternative and complement to bank lending, as an attracted source of investment project financing, requiring balanced and moderate legal regulation that would not prevent its spread and development, would consolidate the rights and obligations of the participants in this process.

## **CONCLUSION.**

It turned out that cryptocurrencies do not have a central controlling authority, with the exception of individuals who produce crypto-currency software. As a result, cryptocurrencies are a destabilizing force as there is no codified regulation that can protect users in case of fraud or hacking. Another key disadvantage of modern digital currencies is that they are widely used as a speculative vehicle for investment and quick cash gains. In addition, a cryptocurrency transaction allows the use of transfers for illegal purposes (corruption, money laundering and terrorist financing). It turned out that cryptocurrencies have certain advantages over the existing financial infrastructure due to their offline nature, allowing instant and cheap global transactions through a peer-to-peer network and a low-fee mining procedure. Blockchain technology uses less energy-intensive proof-of-work methods and data compression algorithms to distribute storage more efficiently. In addition, thanks to blockchain technology, all transactions are available, which allows you to keep an audit trail or use them for tax purposes.

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