



## **DEVELOPMENT OF INTERNAL CONTROL SYSTEM IN COMMERCIAL BANKS**

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<b>Received:</b> 11 <sup>th</sup> December 2022 <b>Accepted:</b> 11 <sup>th</sup> January 2023 <b>Published:</b> 20 <sup>th</sup> February 2023	This scientific article analyzes the organization of the internal control system in commercial banks. Internal, that is, corporate control is also a direction that should exist in a bank. The article analyzes opinions and comments on corporate control. Legal aspects of this issue will also be considered.

**Keywords:** commercial bank, corporate control, corruption, compliance, general meeting of shareholders, bank management, supervisory board, corporate management.

### **INTRODUCTION**

By establishing proper corporate governance in commercial banks, it is possible to increase the transparency and efficiency of the activities of commercial banks with state participation, in particular, to ensure their attractiveness to investors.

Nevertheless, the problem of improving the efficiency of commercial banks with state participation in our country is still an urgent problem, which, in turn, is caused by the high level of intervention of state bodies in their current activities, insufficient flexibility and sensitivity to market trends, excessive dependence on state benefits factors such as attachment are causing it.

### **LITERATURE REVIEW**

In the commercial banks of the Republic of Uzbekistan, the corporate control system is a relatively new term, and educational manuals, scientific articles and methodological materials written mainly by foreign economists on the corporate control system have been widely used.

Famous foreign economists on issues of effective management of the corporate control system in commercial banks - Shidlovskaya M.S., Sanchez I., Shulekovsky V., M. Dili, Astrakhaneva I.A., Dubov D.A., Frepik A., Aleshin M.M., Pustovalova Y., Dadalko V.A., Timofeev Ye.A. and expressed in the scientific researches of others.

### **RESEARCH METHODOLOGY AND EMPIRICAL ANALYSIS**

Currently, a number of works are being carried out in Uzbekistan to develop the corporate control system.

In particular, 4 draft laws, 1 draft presidential decree, 4 draft regulations and 10 internal regulations related to this area were developed.

As a result of efforts in this regard, our country was recognized among 16 countries that demonstrate long-term positive dynamics.

According to the corruption index of the international organization "Transparency International", since 2010, Uzbekistan has been gradually improving its position every year. In 2019, Uzbekistan was ranked 153rd out of 180 countries with 25 points, while in 2010 it was ranked 172nd with 16 points. A number of regulatory legal documents have been implemented to create the legal basis for the organization of the corporate control system.

The fact that the head of state personally pays special attention to the development of this industry is considered the most important factor in the development of the industry. Based on this, a number of regulatory legal documents were implemented to create the legal basis for the organization of the corporate control system.

The adoption of the Decree of the President of the Republic of Uzbekistan on June 29, 2020 "On additional measures to improve the system of combating corruption in the Republic of Uzbekistan" is a practical confirmation of this.

The document specifies specific tasks for the systematic implementation of a number of reforms [3]. In particular, in 2020-2021, the task of gradually introducing an anti-corruption internal control system ("compliance-control") in all state and economic management bodies is strictly defined.

Analysis of foreign practice in countries with a market economy based on laws, one of the important tools that ensure the effective functioning of public and private sector participants in the field of fighting corruption in accordance with international standards, legal documents and other modern methods is the compliance control system for fighting corruption. indicates that it is an organization.



Because this approach organizes the activities of state and economic management bodies, economic entities in accordance with international standards in the field of combating corruption, laws and other regulatory legal documents, risks of corruption, conflict of interests. Is a preventive system that includes timely detection and reporting of violations of law and corruption.

### **CONCLUSION AND DISCUSSION**

Today, there is a need to systematically implement the development of corporate management in the financial stability, risk tolerance, risk buffer formation of commercial banks, and to increase the role of the supervisory board in them.

In this case, it is necessary to perform the following main functions of risk management by the supervisory board of commercial banks:

approves the bank's internal risk management documents, including the organizational structure of the risk management system, risk appetite statement, risk management strategy and policies, code of ethics, conflict of interest prevention policy, and controls their timely updating and implementation

implements;

determines the general business goals and strategy of the bank in accordance with the approved risk appetite of the bank and establishes control over their implementation;

approves the appointment and dismissal of the heads of the risk management and compliance control structure;

periodically reviews the risk measurement methods developed and implemented by the bank, including GEP analysis and stress test;

determines the content, format and periodicity of the information (report) provided to the supervisory board on risk, reviews the risk reports at least once a quarter and determines whether the risk profile does not correspond to the approved risk appetite or in the future

makes a decision on applying timely and appropriate measures to mitigate the risk in a timely manner when it is determined that it may not be appropriate;

ensures the accuracy and reliability of information received on risk management.

### **REFERENCES**

1. Republic of Uzbekistan dated January 15, 2019 "On Combating the Legalization of Criminal Proceeds, Financing of Terrorism, and Financing of the Distribution of Weapons of Mass Destruction";

2. Republic of Uzbekistan dated May 6, 2014 "On the Protection of the Rights of Joint-Stock Companies and Shareholders";
3. President of the Republic of Uzbekistan dated June 29, 2020 No. PF-6013 "On additional measures to improve the system of combating corruption in the Republic of Uzbekistan"
4. President of the Republic of Uzbekistan dated May 12, 2020 No. PF-5992 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025"
5. Regulation No. 3030 of the Board of the Central Bank of the Republic of Uzbekistan dated January 14, 2021 "On the minimum requirements for the activities of commercial banks in the implementation of mutual relations with consumers of banking services"