

Liberalization of forex control in Uzbekistan

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Systematic problems with respect to foreign exchange and repatriation of profits may still be observed in Uzbekistan. Despite legislative guarantees, it may be difficult for a foreign investor to convert profits generated in Uzbekistan to a freely convertible currency in practice.

Realizing that this problem has a significant negative impact on the country's economic performance, in November 2016, the Uzbek government released the draft Presidential Resolution "On Priorities of the Foreign Exchange Policy", heralding the large-scale liberalization. Apart from mentioning the intention to abandon the practice of setting official foreign exchange rates (rejection from 'state-controlled' rates in favour of market rates), the draft Decree outlines some changes as follows:

Currently

Residents of Uzbekistan are not entitled to payout dividends and likewise payments to residents of Uzbekistan in foreign currency.

Proposed Reform

Residents of Uzbekistan receiving income in foreign currency and having foreign currency funds on their accounts are allowed to pay-out dividends and likewise payments in foreign currency based on the relevant decision of shareholders;

Currently

Non-residents of Uzbekistan (commercial entities) are entitled to open foreign currency accounts in local banks only if their representative office or permanent establishment is duly opened and registered.

Proposed Reform

Non-residents of Uzbekistan (commercial entities and individuals) may open foreign currency accounts in local banks and freely use the funds.

Currently

Resident exporters of goods and services are obliged to exchange (convert) a certain amount of foreign currency export profits (25% since January 2017).

Proposed Reform

Resident exporters of goods and services are not obliged to exchange (convert) incoming foreign currency, except for companies exporting specific goods and services, the list of which will be set by the Cabinet of Ministers.

Based on some dates specified in the draft Resolution, the majority of changes are expected to come into force by the third quarter of 2017, though the Resolution itself has not still entered into force and one cannot be sure that all the changes will eventually be introduced.

It should, however, be noted that certain liberalization steps have already been taken. For example, since January 2017 resident exporters are obliged to convert only 25% of their foreign currency profits instead of 50%. It is also noticeable that since mid February the foreign exchange rates set by the Central Bank started to rise notably as compared with their usual pace.