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In November 2018, the Uzbek government continued its policy of liberalization with the simplification of rules for the employment of foreign workers and the construction legislation. Significant changes have also been introduced to enhance creditor protection and the usability of security mechanisms. These changes visibly alleviate the importance of the state pledge register making it an indispensable mechanism for perfecting secured transactions.

Further, it is an important development that the national airways company Uzbekiston Havo Yullari has been reorganized in the attempt to separate numerous commercial and regulatory activities of this state-owned incumbent, which has long been awaited. It may indicate that reforms in other somewhat excessively regulated sectors of the Uzbek economy, including the power industry and the banking sector, may be expected.

1 EMPLOYMENT OF FOREIGN WORKERS IN UZBEKISTAN

From December 1, 2018, Uzbek businesses may get the right to attract highly qualified and qualified foreign specialists without the need to obtain the license for attracting foreign personnel. Such specialists will still need to obtain the work permit, but it will now be issued for 3 years. In order to be considered as a qualified or a highly qualified professional, a person has to have a recognized higher education qualification, has several years of work experience and be offered a salary satisfying certain thresholds.

It is to note that foreign citizens who have invested at least 8,500 times the minimum monthly wage into the registered capital of an Uzbek business entity or by creating an enterprise with foreign investments get the right to be employed by these companies without any licenses and permits being required.

Presidential Decree No. PP-4008 of November 7, 2018

2 STATE EXAMINATION OF CONSTRUCTION PROJECTS

From December 1, 2018, comprehensive state examination of cost estimates and other information on construction projects will become mandatory for all construction projects with the exception of projects implemented as a result of direct investments (no detailed clarification is provided).

“Fast track” implementation of EPC projects will now be allowed, but contractors and engineering organizations will be required to form a consortium and will be jointly responsible for timely and quality work. Further, rules for state examination of finished construction objects are simplified.

From January 1, 2019, certificates and licenses for engineering and construction activities issued by authorized agencies of member-states of the Organization for Economic Co-operation and Development (OECD) will be recognized in Uzbekistan. From March 1, 2018, the Uzbek Association of Consulting Engineers will certify specialists in the construction and engineering sphere.

It is also planned to change and to simplify current legislative acts on construction, to adopt a new Town Planning Code and to reshape a national regulatory system based on foreign construction standards and regulations.

Presidential Resolution No. UP-5577 of November 14, 2018

3 IMPROVEMENT OF CREDITOR PROTECTION AND SECURED FINANCING

According to the Presidential Decree No. PP-4026, from January 1, 2019, the following measures for improving creditor protection are going to be introduced: (1) creditors - pledge holders who have registered their rights to pledgor's property in the State Pledge Register get the priority right to this property over other creditors who have not registered their rights; (2) creditors who have made an entry about their pledge rights to pledgor's property in the Pledge Register satisfy their rights out of this property in chronological order; (3) creditors who have financed purchasing pledged property get the priority to right to satisfy their claims out of it (on the condition that the relevant entry is made to the pledge registry); (4) pledged property may be re-pledged by the pledgor by making an entry in the Pledge Registry without getting the consent of existing pledge-holders; (5) objects of pledge can be leased out without the consent of pledge holders provided that they have been notified and the relevant entry has been made in the Pledge Registry.

Immediately, without delay, the following changes come into effect: (1) priority rights of creditors - pledge holders are extended to profits and

products obtained from pledged property; (2) statutory rules for the foreclosure of pledge property are now applicable to any transactions, including financial lease, hire-purchase, etc. where transferred property serves as a security; (3) a simplified mechanism of judicial enforcement of pledge rights (via a court order) may be applied where a written contract exists; (4) the identification of pledge obligations and pledge property in an agreement may be made in several ways without a precise description (as currently required by law).

The changes will enter into force only after the relevant law introducing amendments to several legislative acts, including the Civil Code, is passed. The Decree orders the Cabinet of Ministers to elaborate the relevant draft within 1 month from the date of the Decree.

Presidential Decree No. PP-4026 of November 23, 2018

4 RETURN OF TAX BENEFITS FOR EXPORTERS

From December 1, 2019, Uzbek legal entities having a share of exports in the total revenue from sale of goods (works, services) of more than 15% will be exempt from the profit tax and the single tax payment for exported goods (works, services). The benefit will be applied where there is a documentary evidence of export of goods (works, services) and where the receipt of foreign currency proceeds from the export within 180 days from the date of export is ensured. This benefit does not apply to the export of particular commodities enlisted in the relevant Presidential Decree as well as to international transportation services (except for motor transportation) and transportation by pipelines.

Presidential Resolution No. UP-5587 of November 29, 2018

5 CONTROL OVER EXPORT TRANSACTIONS

All goods are now exempted from the requirement for putting export contracts on customs records. The export of previously controlled products, including cotton fiber, meat and meat products, sugar, non-ferrous metals, etc. is now monitored through the common Unified Electronic Information System of Foreign Trade Operations.

Presidential Resolution No. UP-5582 of November 24, 2018

6 SPECIAL MARKING OF IMPORTED GOODS

The Presidential Decree No. PP-4042 has approved a list of imported goods that are subject to special marking with the use of protected marks or Nano-molecular technologies from August 1, 2019. The procedure for mandatory marking of these goods will be developed till January 1, 2019. Product marking services, including the relevant services for excisable goods, will be rendered by a single provider. Such a provider will be determined by the National Agency for Project Management after selecting the best offers. The price for the marking services will be fixed for 5 or 10 years.

Presidential Resolution No. PP-4042 of November 30, 2018

7 CREATION OF TASHKENT INTERNATIONAL ARBITRATION CENTER

The Tashkent International Arbitration Center has been established under the Chamber of Commerce and Industry of Uzbekistan with the status of a non-governmental non-profit organization. The legal basis for resolving disputes will be provided in the Law on International Arbitration, a draft of which is going to be finalized within 1 month.

Presidential Decree No. PP-4001 of November 5, 2018

8 REFORMS IN AVIATION SECTOR

The state-owned national airlines Uzbekiston Havo Yullari enjoying a monopolistic position within the Uzbek aviation sector have been reorganized with many of its current functions (including airports management) having been redistributed. The relevant roadmap for reforming the aviation sector and providing for the development of the industry till May 1, 2019, has also been presented. The following companies will now operate in civil aviation: Uzbekistan Airways JSC, Uzbekistan Airports JSC, Uzbekistan Helicopters LLC, Uzaeronavigatsiya SUE and a number of limited liability companies formed based on previously existed state unitary enterprises. Some functions have been transferred to the State Inspectorate for Safety Oversight, while it is also planned to establish the Ministry of Transport.

Uzbekistan Airways JSC and Uzbekistan Airports JSC will, among other things, focus on attracting private investments by using mechanisms of private-public partnership. Until June 1, 2019, a favorable legal basis will be created for facilitating activities of companies providing alternative aviation services, including low-cost airlines and companies providing business aviation services.

Presidential Resolution No. UP-5587 of November 29, 2018

The ban to extract precious metals and stones has been partially lifted. From March 1, 2019, individuals and businesses will be able to get relevant licenses for a 3 years period based on results of special auctions. The rights to mine precious metals and stones within specified non-industrial land plots no bigger than 1 ha will be traded at the starting price of UZS 7,500,000.00. Individuals and businesses engaged in the activity will be exempted from all taxes. They will be able to sell mined metals and stones to the state-owned Angren and Navoi Mining Combines as well as to individuals and businesses having the license for producing jewelries.

Presidential Decree No. PP-4030 of November 26, 2018

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