

***Leges  
Advokat***

*Адвокатская фирма / Law Firm*

**2021**

# **CLIENT ALERT**

**Decree No UP-6313 dated 14 September 2021**



## Reforms in the area of contractual relationships

On September 14, 2021, the Presiding of Uzbekistan issued Decree No. UP-6313 “On measures for fundamental improvement of contractual relations” (“**Decree**”).

The Decree introduced a number of noteworthy rules that will govern contractual relations, including the following.

1. The Decree provides that starting from 1 December 2021, the following rules will be abolished:

- prohibition for accepting payments by commercial banks made by third parties for the delivered goods (rendered works/services) – *i.e. a third party not being a party to a contract will be able to make payments to the supplier of goods/provider of services, while up to 1 December 2021 payments for the goods and services had to be made only by the de-jure purchasers of the goods and services from their own bank accounts;*
- requirement for including a prepayment clause in contracts concluded with state-owned enterprises having at least 50% of state’s shares;
- requirement for including a prepayment clause in contracts concluded between producers of livestock/agricultural products and procurement organizations.

The Decree leaves it up to the discretion of the parties to agree on the prepayment clause of the contract.

2. The Decree allows individuals to provide and repay foreign currency loans to each other by way of concluding a loan agreement certified by a notary.

3. Further, the Decree establishes the following rules, effective 1 January 2022:

- property put up for e-auction for enforcement of judicial acts and acts of other organs shall be transferred to the winner of the auction free and clear of debts and restrictions. The debts attached to the property will be extinguished out of proceeds received as a result of the sale of the property, and in case such proceeds are insufficient to cover the debts, the debts will stay with the debtor and shall not follow the property;
- a party to the contract, which has accepted full or partial performance of obligations under the contract or which confirmed the validity of the contract with its counterparty in any other form, shall have no right to claim invalidity of the contract if such claim contravenes a principle of good faith;
- anti-corruption clauses shall be included in all public procurement contracts. In case of non-compliance by the counterparty or other parties engaged by the counterparty (i.e. its subcontractors, agents, or other related parties), the other party shall have a right to suspend or unilaterally terminate the contract and claim compensation of damages<sup>1</sup>;

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Note: Template clauses suggested for inclusion will be adopted within 2 months by the Ministry of Justice, Anticorruption Agency and Chamber of Commerce and Industry of the Republic of Uzbekistan

- in case of non-payment of tax and customs debts by the legal entities and individual entrepreneurs, tax and customs authorities will send an order to the debtor's servicing bank on freezing the funds on the accounts of the debtor equal to the amount of debt, and on the transfer of such funds to the tax and customs authorities after thirty calendar days. The debtor shall be notified of such order, and in case the debtor challenges the order in court within thirty calendar days after receiving a notice, then the collection of funds from the debtor's account will be made per decision of the court;
- public contracts in the area of communal services, electricity, communication, passenger and freight traffic and in other alike areas of great social importance, and which are developed by the subjects of natural monopolies shall be concluded with consumers after approval by the Antimonopoly Committee of the Republic of Uzbekistan.

### **Reforms in the pipeline of development**

The Decree also assigns the state authorities with developing a number of amendments into the legislation, including on the following matters:

- recognition of certificates of electronic digital signatures of foreign countries on the territory of the Republic of Uzbekistan;
- cancellation of administrative liability for the delay in the receivable and payable accounts, as well as for

non-compliance with the contractual discipline;

- abolishment of the Law “On contracting and legal basis of activities of business entities” No. 670-I dated 29 August 1998 and unification of its provisions into the Civil Code of the Republic of Uzbekistan;
- expanding fiduciary duties and establishing subsidiary liability for the CEO, the members of the executive board of the company, or the trustee for breaching the procedures for entering into large transactions or transactions with affiliated persons, which resulted in damages to the company, provided that fault of the CEO, the members of the executive board, or the trustee is proven;
- introduction and implementation of the “escrow” system for e-commerce and other areas.

## About us

*"Leges Advokat" is an elite law firm of Uzbekistan providing legal services of highest quality with deep and intimate knowledge of the Uzbek legislation and practice.*

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