



Financial Technology for Regional Cooperation in CAREC Countries: Uzbekistan, Tajikistan and Kazakhstan

Yerlan Khassenbekov

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Uzbekistan

GDP per capita (2022)

2,255 USD

Share of Financial Sector in GDP (%)

4.5%

Level of digitalization (in % of GDP)

2.8%

Consumer market

UZBEKISTAN

23.5 bln. USD

Population,
million people

36

Population
density,
people per m²

78.6

Working
age group

57.6%

Poverty line,
USD per month

46



IT Infrastructure indicators

70.4%

Internet
penetration
(broadband)

96%

Mobile
penetration

\$15.48

Average
price of
fixed
internet

54,12
Mbit per
second

Speed of
fixed
internet

\$0.30

Average
price of 1 GB
(download
mobile)

IT sphere parameters

**\$10.5
bln.**

Volume of
online
payments

**28.8
mln.**

Number of
digital
banking
users

**4.2
mln.**

Instagram
users

**\$311
mln.**

E-Commerce
market size

**34.2
mln.**

Number of
cards in
circulation

**1.65
mln.**

Facebook
users

Regulatory framework in Uzbekistan



CREDIT ORGANIZATIONS

1. Credit market is represented by banks and microcredit organizations (MKO)
2. MKO unlike banks cannot open deposit accounts and is limited in the amounts of crediting (28,308 US dollars). But may enter into leasing agreements, provide guarantees and factoring service.
3. The minimum authorized capital of a MKO should be at least 192.4 thousand US dollars.



PAYMENT SYSTEMS

1. Payments' sector has an individual legal act.
2. Regulated by the Central bank.
3. The maximum amount of one transaction cannot exceed 2,104 US dollars. Stored money on e-wallet cannot be more than 103.8 US dollars.
4. Unlike banks, non-banking entities can do transfer of money and acquiring services.
5. **There was a ban on cross-border transactions**



E-COMMERCE

1. Has an individual legal act.
2. Clear requirements for the form documentation of deals and storage of docs.
3. The Center for Digital transformation is the regulator
4. E-commerce platforms are allowed to use cash, bank transfers, payment systems and electronic money in serving transactions.
5. Electronic traders should register with the Tax authority and pay taxes from transactions. E-commerce entities have tax preferences (e.g., income tax – 2% instead of 4%)



SECURITIES MARKET

1. Has an individual legal act, but other laws are applicable as well.
2. There is a Central Depository
3. NAPP¹ the regulator in the securities market.
4. Trading of shares are carried out exclusively on the only one operating Exchange "Toshkent".
5. Uzbekistan has plans to bring the total share of securities trade volume in the GDP to 5%.
6. Transactions of securities are made in the electronic form.



CRYPTOCURRENCY

1. Cannot serve as a means of payment in the country.
2. Only legal entities are allowed to mine crypto and they have to pay electricity at a double rate.
3. From 2023 residents of Uzbekistan can trade crypto, but only on platforms of licensed exchanges.
4. The regulator is NAPP.¹ But still Central Bank monitors influence on monetary factors.
5. Circulation of crypto is not subject to taxation.

¹ NAPP – the National Agency for Perspective Projects under the President of Uzbekistan

Regulatory framework in Uzbekistan

The Central Bank of the Republic of Uzbekistan	National Agency for Perspective Projects of Uzbekistan	The Ministry of Economy and Finance of The Republic of Uzbekistan
Banking sector	Capital market	Investment policy
Currency market (exchanges, inflation targeting)	Digital assets, Cryptocurrency	Pension system
Non-banking credit organizations	Insurance sector	Audit and other professional financial services
Payment systems		External state debt
Regulatory Sandbox financial technologies		

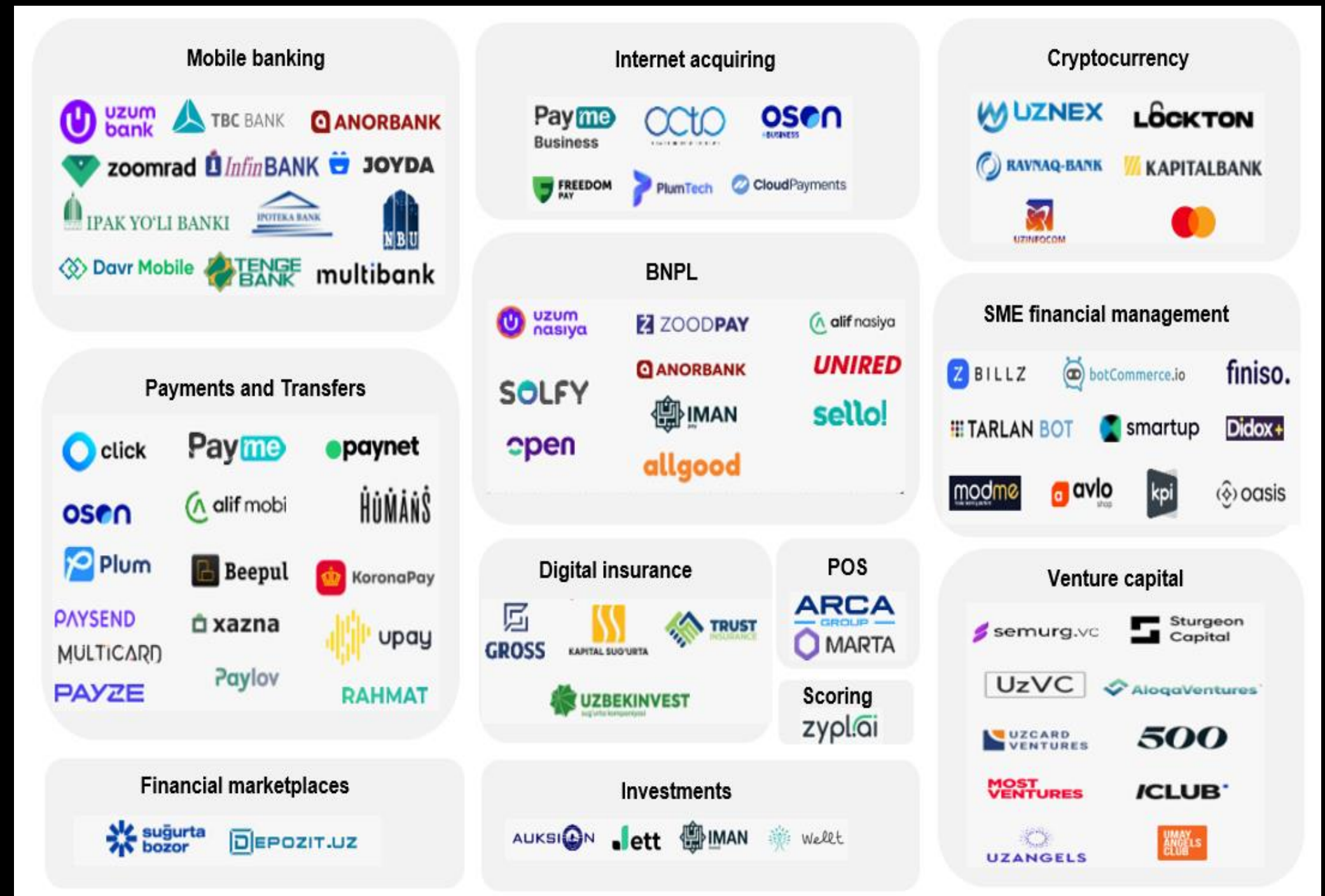
Uzbekistan's FinTech

70+ FinTech startups
49 payment organizations (+non-banks)
7+ digital banks
85 microfinance entities
10 crypto shops and 2 exchanges

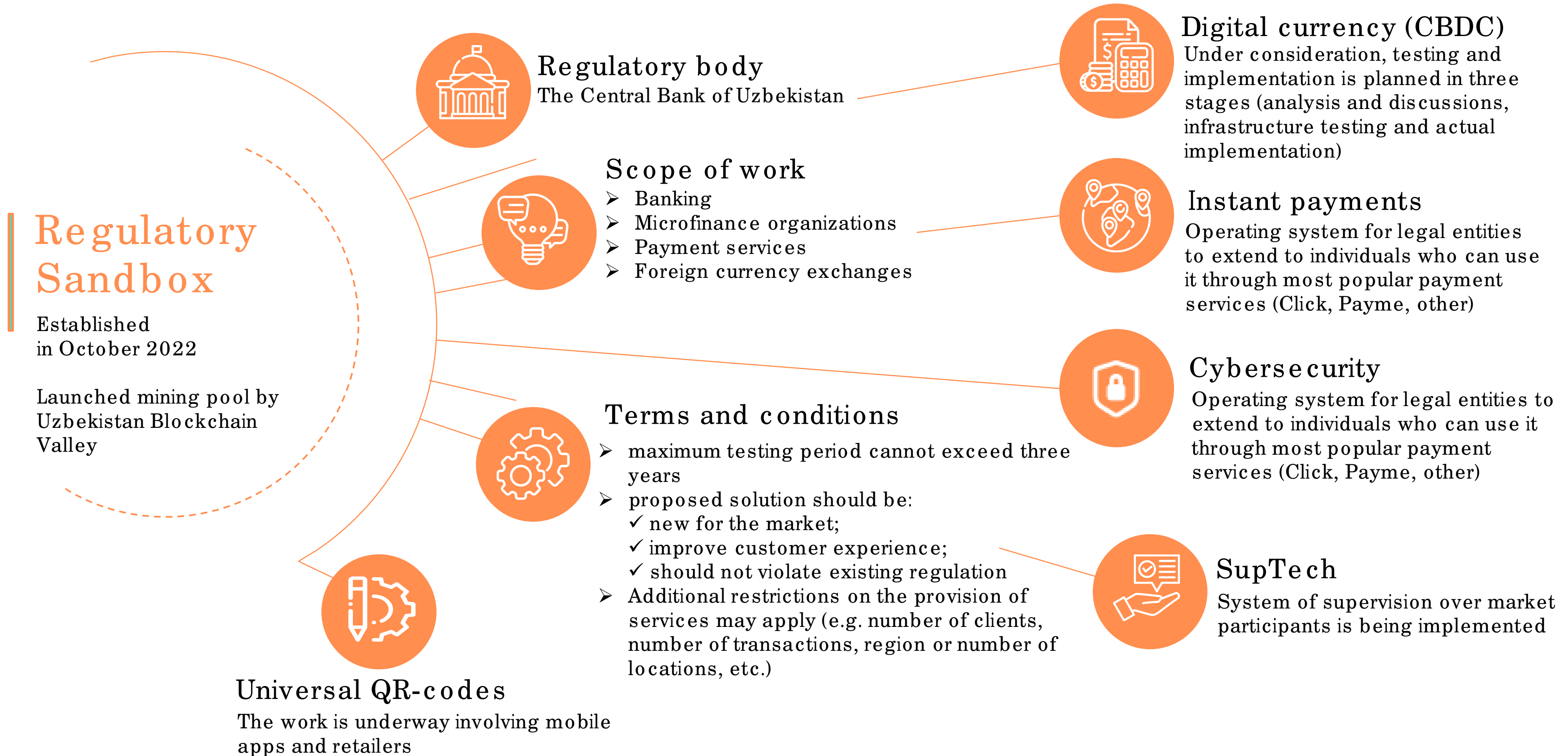
Trends and Factors

- The Regulatory Sandbox and IT Park is available for all types of FinTech firms
- Major players diversify services (superapps)
- Digital payments are leading the way
- Islamic financing is on the rise
- Young population (29 years) and increasing urbanization
- Critical mass of IT specialists are accessible
- Growth of e-commerce is driven by BNPL
- VC funded Fin-Tech (last 2 years) – \$4.3mln

FinTech Sector Landscape (key players)



Tech initiatives by Uzbekistan Regulator



Tajikistan

GDP per capita (2022)

1,142 USD

Consumer market (2021)

3,2 bln. USD

Share of Financial Sector in GDP

1.9%

Population,
million people

10.1

Population
density,
people per m²

67.92

Level of digitalization (in % of GDP)

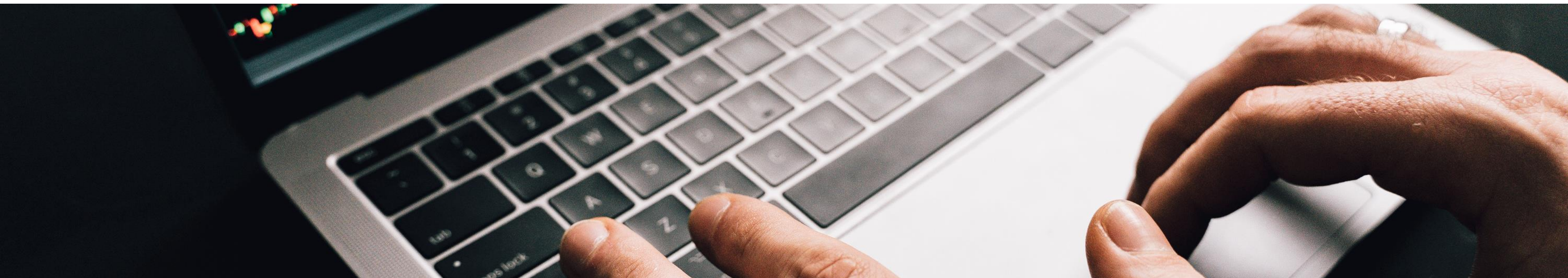
0.6%

Working
age group

59.3%

Poverty line,
USD per month

22.5





IT Infrastructure indicators

40.8%

**Internet
penetration
(broadband)**

77.4%

**Mobile
penetration**

\$23.85

**Average
price of
fixed
internet**

20.77

**Mbit per
second**

**Speed of
fixed
internet**

\$1.65

**Average
price of 1 GB
(download
mobile)**

IT sphere parameters

**\$166
mln.**

**Volume of
online
payments**

**2.24
mln.**

**Number of
digital
banking
users**

**802.8
thou**

**Instagram
users**

**\$368
mln.**

**E-Commerce
market size**

**6.7
mln.**

**Number of
cards in
circulation**

**435
thou**

**Facebook
users**

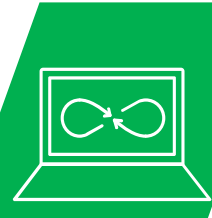
Tajikistan

Regulatory framework in Tajikistan



CREDIT ORGANIZATIONS

1. Banks and microfinancial entities (MFOs) are regulated by separate laws
2. There are three types of MFOs: MDOs, MOs, and MFs.
3. MDOs can provide services in USD unlike other two forms of an MFO.
4. The minimum authorized capital of a MFO is 531 thousand US dollars.
5. The registration procedure and prudential norms for all types of credit organization are quite identical.



PAYMENT SYSTEMS

1. Has an individual legal act
2. Only licensed credit organizations can provide payment services.
3. Non-licensed activities are allowed only for cash collections and serve as an agent on behalf of a credit organization.
4. Transaction actors and volume of payment are the data types that have to be e reported to the authority.
5. **All payments are to be made electronically for state services (licensing, utilities, etc.) since 2023.**



E-COMMERCE

1. Has an individual legal act.
2. The Ministry of economic development and trade is the regulator.
3. Some authority in regulation of e-commerce activities (because there is no difference with traditional trade) is given to regional authorities and municipalities
4. The separate legal act for E-commerce has been declared repeatedly.



SECURITIES MARKET

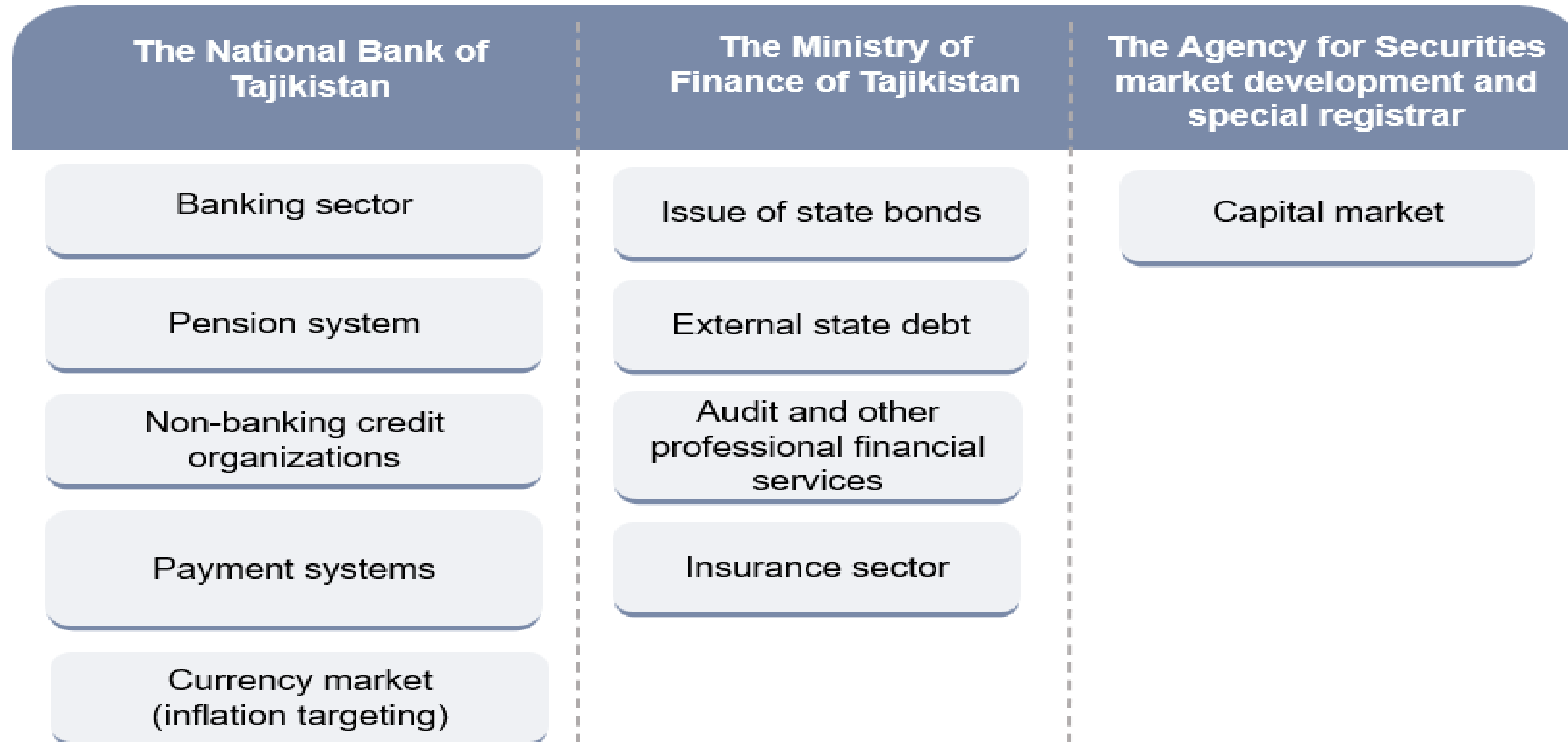
1. Has an individual legal act.
2. Agency for Securities Market Development and Specialized Registrar of the Ministry of Finance is the regulator. However, some duties in terms of money flow and transactions are left to the National Bank.
3. The Law has all necessary provisions for fluid and modern securities market (e.g. mentions organized and secondary markets, and that non-professional, non-licensed firms and investors can take part in the trade of securities).
4. Information on volumes of traded valuable papers as well as names (ticker names as well) is not available.



CRYPTOCURRENCY

1. No particular regulation exists.
2. Cryptocurrency is neither prohibited nor its exchange, mining and circulation are regulated. The only condition that is known is that exchange of cryptocurrency on the territory of Tajikistan should be fulfilled in local currency.
3. Bitcoin mining and trading will be taxed soon, no details or amendments to existing Tax code have been provided by authorities.
4. There are, however, criminal provisions for miners as some of them were charged for illegal mining activities.

Regulatory framework in Tajikistan



Tajikistan's FinTech

10+ FinTech startups

2+ digital banks

5 microfinance entities (capable of lending)

Trends and Factors

- Tajikistan is working on the establishment of the first IT Park in the country
- The state's introduction of a mandatory transition to non-cash payments for public services (including taxes, utility bills, etc.) led to an increase in the volume of non-cash payments and in the number of payment cards
- Significant growth of e-commerce
- Slow digitalization of banks stimulates popularity and expansion of digital wallets issued by different types of organizations, not only financial

Global
potential



zypl.ai

- Major initiatives are backed by regional cellular operators and several commercial banks



Kazakhstan

GDP per capita (2022)

11,476.6 USD

Share of the Financial Sector in GDP

3.1%

Level of digitalization (in % of GDP)

2.1%

Consumer market (2021)

100 bln. USD

Population,
million people

19.5

Population
density,
people per m²

5.94

Working
age group

48.2%

Poverty line,
USD per month

87.5



IT Infrastructure indicators

90.9%

Internet
penetration
(broadband)

95%

Mobile
penetration

\$5.11

Average
price of
fixed
internet

47.53

Mbit per
second

Speed of
fixed
internet

\$0.41

Average
price of 1 GB
(download
mobile)

IT sphere parameters

**\$158
bln.**

Volume of
online
payments

**75
mln.**

Number of
digital
banking
users

**10.5
mln.**

Instagram
users

**10.4
mln.**

TikTok
users

**\$4.26
mln.**

E-Commerce
market size

**75
mln.**

Number of
cards in
circulation

**2
mln.**

Facebook
users

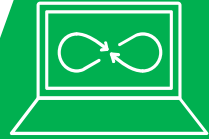
Kazakhstan

Regulatory framework in Kazakhstan



CREDIT ORGANIZATIONS

1. Banks and microfinancial organizations are regulated separately.
2. Islamic banking reflects rules of Islamic financing, including rules of conduct, permitted transactions, financing policies.
3. For banks there are requirements close to BASEL III rules on capital requirements, provisions, etc.
4. Microfinancing activities are licensed.
5. Only MFOs, pawnshops and credit partnerships have the right to microcredit.



PAYMENT SYSTEMS

1. Has an individual legal act and other corresponding legal acts (on electronic money, electronic money systems).
2. Is regulated solely by the National bank, payment services are licensed.
3. Charter capital should be 117,307 USD upon license acquisition.
4. There are no limits on maximum or minimum amount of a transaction.
5. Payments systems registered at AIFC are subject to registrations with the National Bank.

¹ The Agency for Regulation and Development of Financial Market



E-COMMERCE

1. The Law on Regulation of Trade (2004), the Law on Informatization (2015), the Rules for Internal Trade (2015), and a number of other laws pertain to the regulation of e-commerce.
2. Regulator is the Ministry of Trade and Integration.
3. E-commerce platforms should have accessible public offer and confidentiality agreement.
4. Electronic contracts to be concluded online as long as authentication of relevant electronic signature is provided.
5. Only those who sell their goods through electronic platforms have to register with the Tax authority, all other are exempt.



SECURITIES MARKET

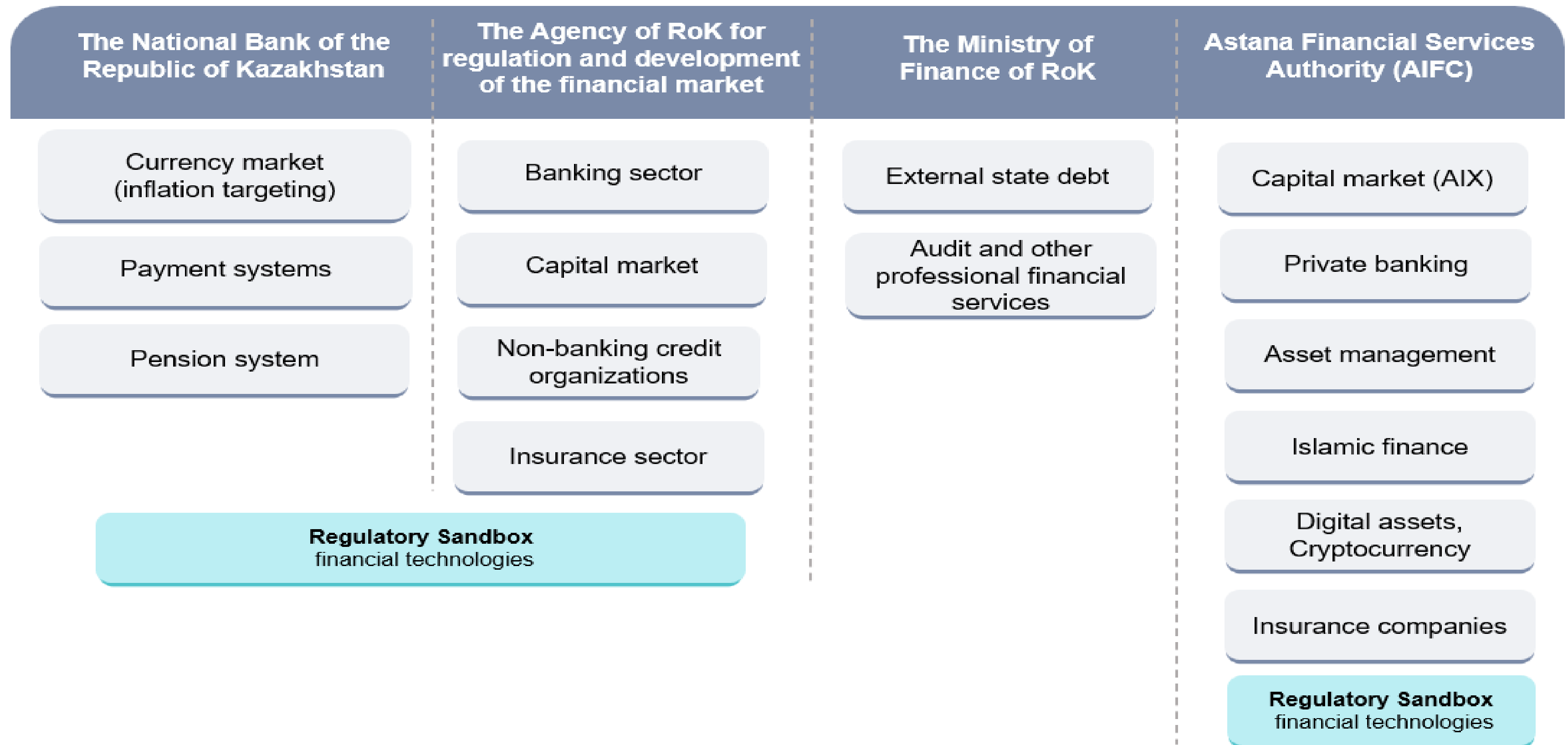
1. Has an individual legal act.
2. There is a legal division of terms on Organized market (in accordance with internal regulations of an organizer) and Unorganized market (without any internal regulations).
3. All deals made on securities are subject to registration with the state authority.
4. Kazakhstan's entities may sell their securities on foreign platforms and stock exchanges provided they have an approval from ARDFM and at least 20% sold at the AIX (AIFC's division).
5. An individual can trade on foreign stock exchanges, but not at domestic exchange and with domestic securities.



CRYPTOCURRENCY

1. Has an individual law adopted recently.
2. Cryptocurrency is an asset, but not a means of payment (AIFC is exempt).
3. Cryptocurrency is subject to taxation.
4. The total capacity of mining equipment should not exceed 100 MW, and the capacity of one plant 1 MW.
5. Individuals and business may issue and sell digital asset backed by collateral.
6. All crypto exchanges and trading platforms must obtain a license of AIFC.
7. Miners must register at MDDAI and get a license via accredited mining pool.
8. AIFC residents may open crypto accounts at commercial banks.

Regulatory framework in Kazakhstan



Kazakhstan's FinTech

150+ FinTech startups

29 payment organizations

10+ digital banks

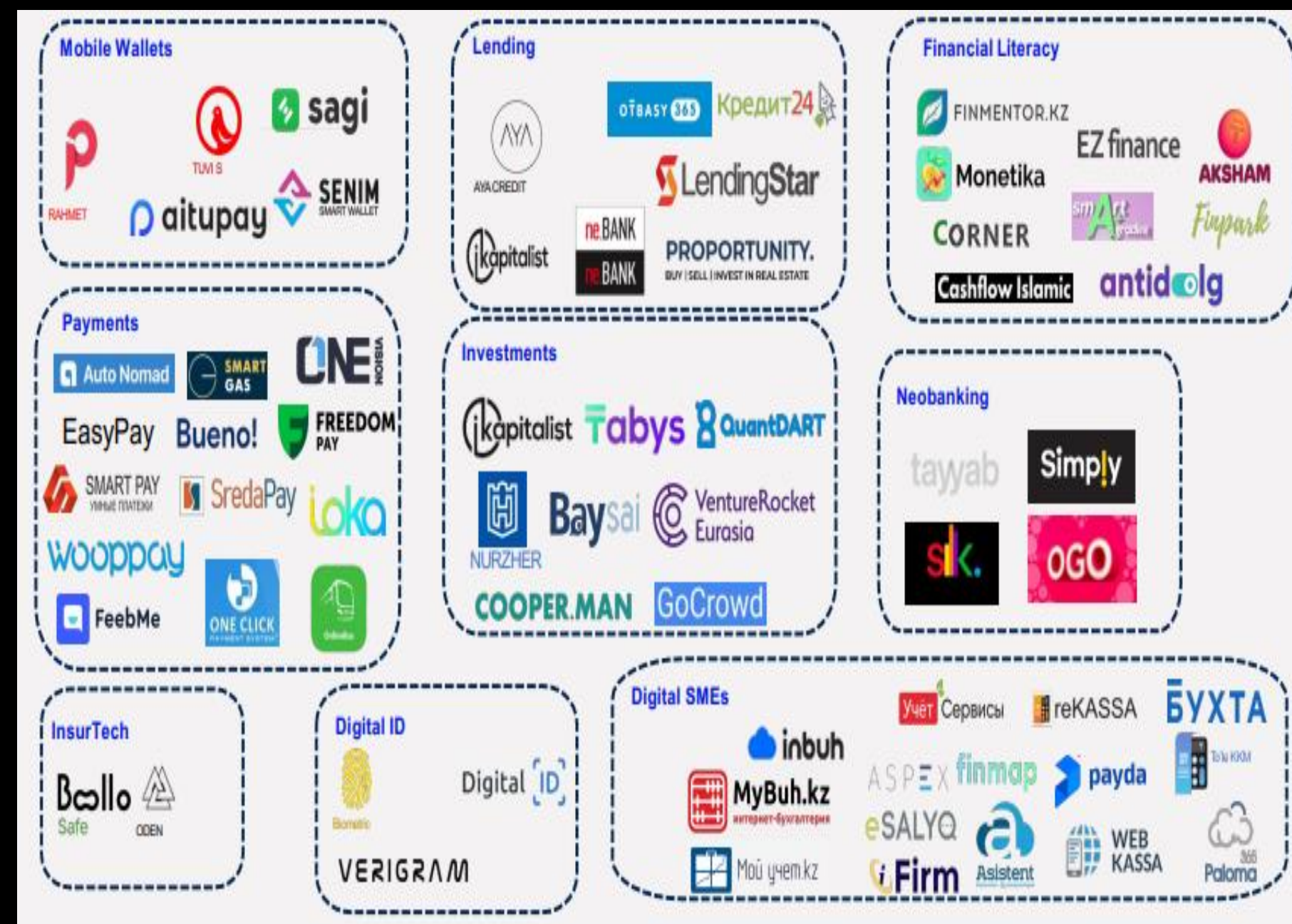
236 microfinance entities

19 crypto exchanges

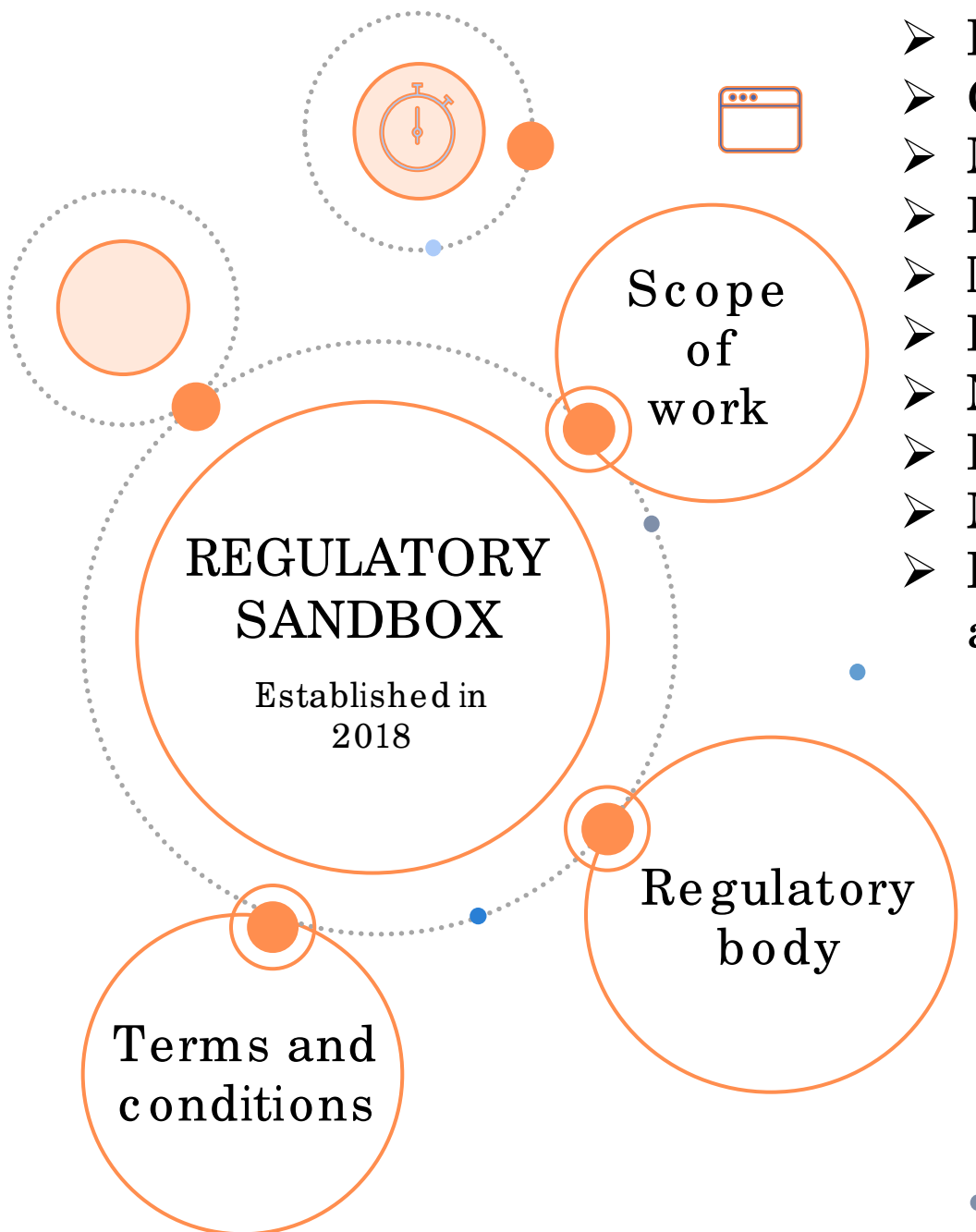
Trends and Factors

- The Regulatory Sandbox, Astana Hub and AIFC established full-fledged instrumental infrastructure for FinTech firms to grow
- Banking applications become digital providers of public services through new services
- BNPL drives e-commerce growth
- Contactless payment apps narrowing cash transactions in the country
- Superapps and neobanks are being built by telecom, marketplaces and then by banks

FinTech Sector Landscape (key players)



Tech initiatives by Kazakhstan Regulator



- Banking
- Capital market
- Microfinance organizations
- Payment services
- Insurance sector
- Foreign currency exchanges
- Non-banking credit organizations
- Distributed registry, Blockchain
- Marketplaces and trading
- Data protection and Data analysis

- Testing environment is provided for no more than 5 years per project
- Other conditions are determined for each participant individually



Digital currency (CBDC)

Issue, distribution, actual money transfer, offline payments have been tested. The Digital tenge is at the final stage, the National Bank is ready to launch it on the national level. A few large STBs have already opened access to the use of Digital Tenge. In 2024 interbank settlements will be provided with the use of CBDC. As far as 2025 CBDC will become fully operational on the territory of Kazakhstan.



Open API and Open Banking

In 2023, the developed Open API platform was piloted, in which five Kazakhstan's largest banks and 128 people participated. Full implementation is planned until 2025.



Instant payment system

The system was designed and tested in 2021. Now Transfers between individuals by phone number are already available, but in the applications of a few STBs. Instant payments are now available by several means, including QR codes.



Other initiatives

RegTech and SupTech, The Interbank card payment, Cybersecurity and fraud detection are in process of implementation

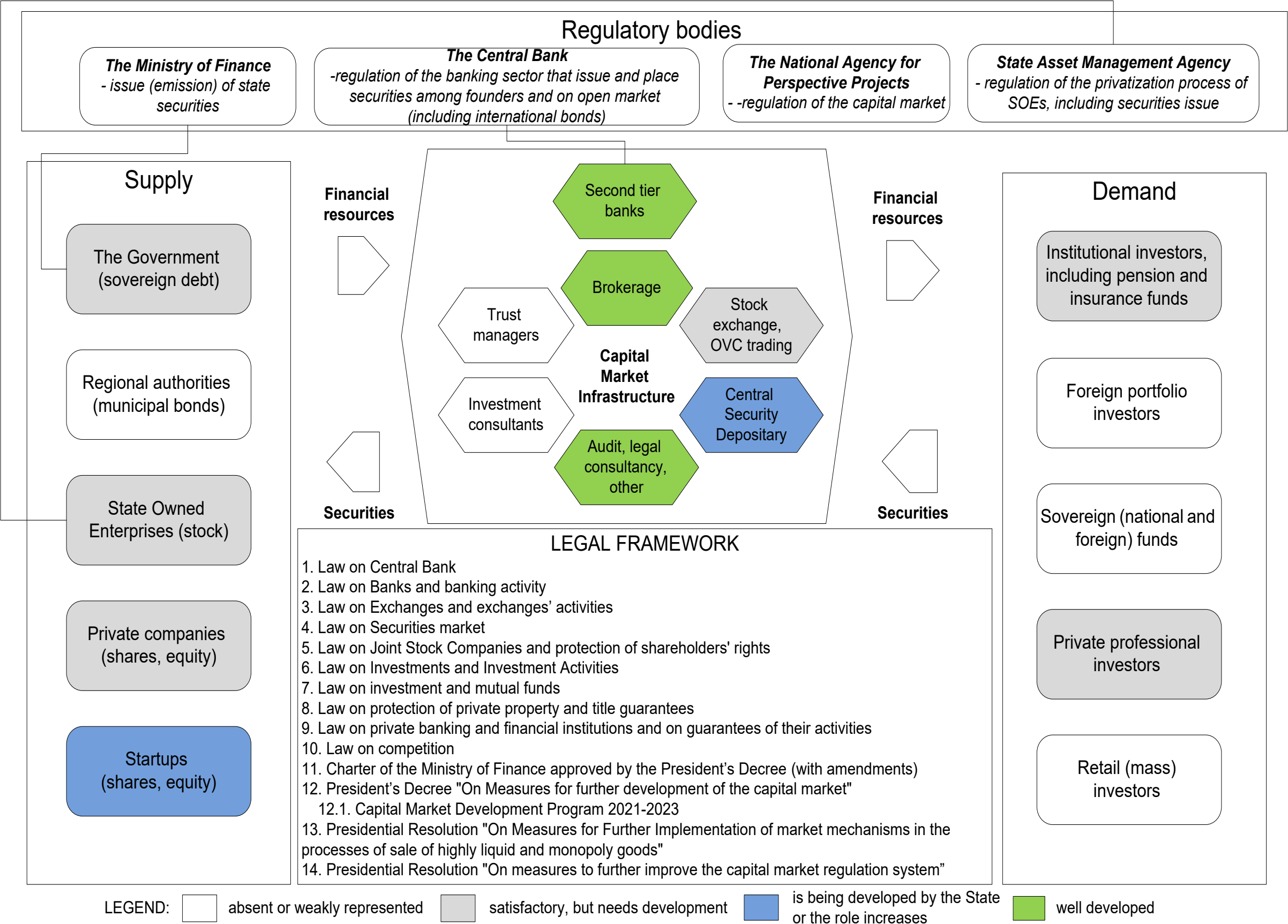
Key takeaways

- Regulators and policy makers can easily and quickly adapt regulation if needed
 - In Tajikistan, and to a lesser extent in Kazakhstan and Uzbekistan, the culture of controlling market outcomes to prevent market failures dominates in the governments
 - Demographic conditions in Uzbekistan plays key role in the growth of FinTech, while in Kazakhstan national and AIFC's legal framework, and developed ecosystem contribute to the development of FinTech. Decent internet connectivity plays for both.
 - Capital markets are a critical factor for FinTech. Kazakhstan is most developed, Uzbekistan is catching up, Tajikistan lags behind
-
- The trend is for the creation of neobanks and superapps. Traditional banking is not the only driving force, mobile and e-commerce companies introduce their own financial solutions
 - Urbanization is one the key factors for the e-commerce sector growth
 - There are three critical factors that are necessary for FinTech fast development: (i) connectivity infrastructure in the form of fixed and mobile internet; (ii) legal framework, including clear rules on activities performed by FinTech firms; (iii) presence of different constituencies in the market, usually called transactional economy subjects, e.g. intermediary dealers, brokers, and alike.
 - Increased demand (BNPL, QR payments, P2P) for online payments for services and goods has become a powerful catalyst for the development of digital financial services.
 - Cryptocurrency is still a tool for either small number of professionals or users who only use it out of necessity. Governments consider it a risky activity and prefers to develop this sphere in a controlled environment.
 - Regulatory sandboxes in Kazakhstan and Uzbekistan are different in a scale of specialization and ways of working with the private sector. Regulators in both countries went in the right direction of proposing their own initiatives to be tested by market participants – banks, MFOs, and FinTech firms. In 2025 the introduction of CBDC and Open API/Banking in Kazakhstan will accelerate the development of FinTech, diversify financial services and ensue multitude of positive spillover effects.

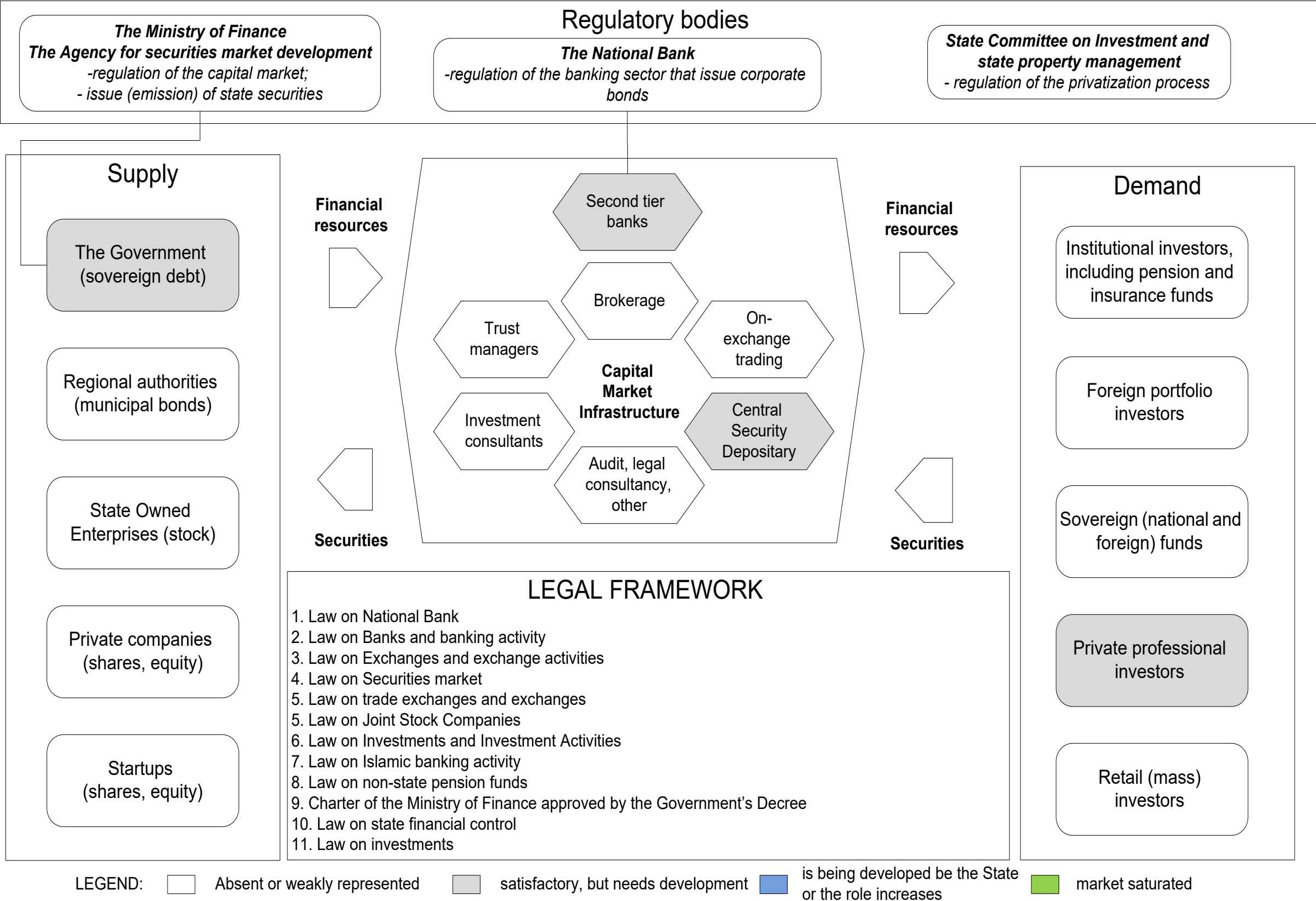


Thank you!
any questions?

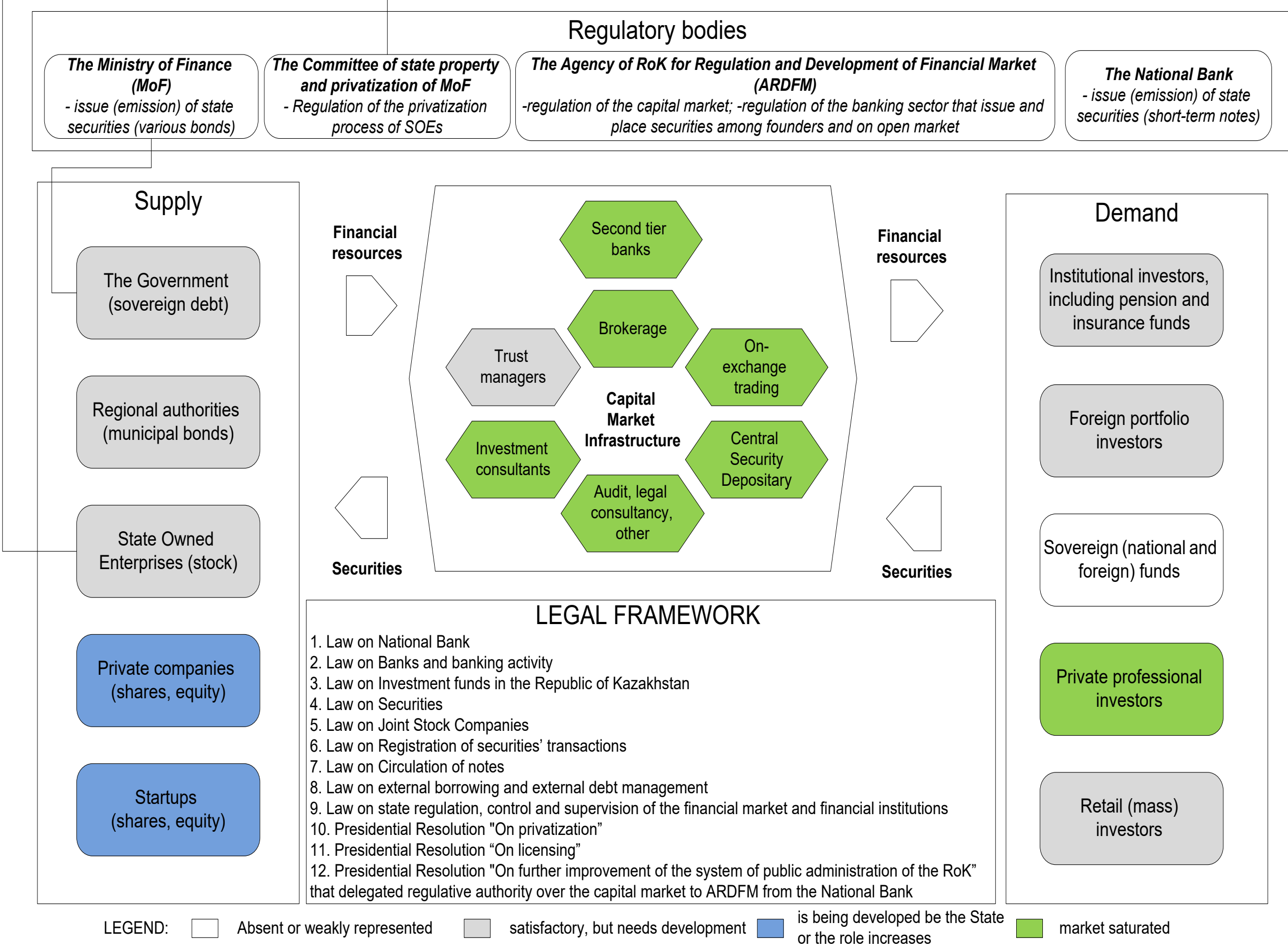
Capital market of Uzbekistan



Capital market of Tajikistan



Capital market of Kazakhstan



Risks and Challenges

Uzbekistan

1. Lack of a clear FinTech development strategy and broader institutional support for FinTech
2. Limited access to finance and investment
3. Weak integration into global value chains
4. Lopsided development of the FinTech
5. Certain limitations for FinTech firms
6. Ban on cross-border transactions for payment organizations
7. Underdeveloped securities market and absence of strategic buyers for technology firms
8. Margin for Error

Tajikistan

1. Political instability on the borders of the country
2. Poor startup ecosystem and infrastructure
3. Weak internet due to a monopolistic bottleneck
4. Monopoly of state owned telecom companies in general and in all technology spheres
5. Uncertain state policies and environment for technology firms, including FinTech
6. Limited access to finance and investments
7. Poor investment attraction, retention and protection policy, especially for venture financing
8. Small internal market and absence of securities market
9. Margin for Error

Kazakhstan

1. AIFC role on economic development, undefined role in the private sector development of the country
2. Influence of state regulatory bodies over the conditions of FinTech companies operating at the AIFC
3. Strict regulations over the micro and small financial technology firms (treated as incumbents)
4. Lack of interest from major global investors (venture capital, financial conglomerates)
5. Unclear state policy towards venture financiers
6. Margin for Error
7. Dependence of economic policy on extractive sectors