

**ANTIMONOPOLY COMPLIANCE AS THE LATEST APPROACH TO  
STREAMLINING THE ECONOMY UZBEKISTAN**

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**Abstract:** Antimonopoly compliance is a new system being implemented in Uzbekistan, which is based on the study of foreign experience. This article analyzes its role and features in the conditions of Uzbekistan, its significance and prospects in the control and regulation of economic processes in the country.

**Key words:** Antimonopoly compliance, compliance system, antimonopoly compliance in business, control and regulation of economic processes, effectiveness of industrial relations, measures for the development and regulation of the economy, production process management, compliance performance, economic prospects.

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**Introduction**

Compliance is a set of initiatives aimed at preventing the actions of company employees that are contrary to the law and introducing corporate business ethics based on compliance with the fundamentals of the law.

Compliance should not be confused with the internal rules and regulations of the company. The regime established in an organization, binding on all its employees and managers - this is not what is meant by this term.

The main essence of compliance is the strict adherence of the company to the standards established by legislative and regulatory bodies. In addition to laws, these may be industry standards that are not binding. Although it all depends on how much the organization evaluates its reputation.

In many cases, large companies will establish a department or service responsible for compliance. In particular, this is a common practice among financial institutions in Russia and abroad. In this industry, institutional regulation is most widely used - for example, in Russia by the Central Bank. Departments are responsible for strict compliance in large companies, while smaller organizations rely on the help of compliance specialists [1].

In general, compliance is those rules that relate to the preservation of the reputation and assets of a business. They help to avoid problems with regulators responsible for maintaining the cleanliness of doing business by economic entities.

Compliance does not include any special measures allocated by law to a set of requirements of the same name. Not at all, compliance is a complex concept, which includes many widely used regulations. For example, labor protection. Perhaps the most common obligation of any legal organization. It lies in the fact that you, as an entity that provides citizens with jobs, are also obliged to make sure that everything is in order with your employees in the process of working with them. Their health and life must be safe while they are on the premises of your organization or in the process of performing work duties outside of it [2].

In the latter case, there are nuances and difficulties, but in general, there are a number of measures that the employer directly or indirectly takes to, if possible, ensure the safety of his employee, even remotely. With regard to work on the territory of the employer, as an example,

one can cite such simple safety items as a first aid kit or an employee on duty who can provide first aid. [6]

Along with the term "compliance", the term "antimonopoly compliance" is actively used. Antimonopoly compliance is an internal system and activities of an organization to eliminate the risks of negative consequences associated with antitrust violations. One of the compliance sectors, along with ethical compliance, anti-corruption compliance, sanctions compliance, etc. Can be used by commercial, non-profit organizations and government agencies.

Antimonopoly compliance is based on the common compliance paradigm that it is easier to prevent a violation than to mitigate its negative consequences. If the violation is detected by the regulator, then the enterprise will have to pay a high price for this violation in the form of sanctions, legal costs and reputational losses. If an enterprise can independently prevent a possible violation or detect a violation at an early stage and stop it, then such prudence can significantly reduce the burden of negative consequences for such an entity. But for this, the enterprise must make certain organizational efforts in order to create such an effective system that is able to adequately identify risks, analyze business processes and legal norms, sometimes contradictory [3].

There is a position that antimonopoly compliance can be applied not only in relation to the norms of antimonopoly legislation, but also in relation to all areas in which control is exercised by the antimonopoly authority. Such areas currently include, for example, the sphere of foreign investment, advertising, retail trade, state and municipal procurement, military orders, exchange trading (certain goods). Practitioners note the positive role of antimonopoly compliance in protecting the rights and interests of organizations and society. [7]

## **Methods**

This article presents the results of studying theoretical materials, economic scientific literature, the official database of regulatory documents and Internet sites in the field of research, which describes in detail the essence of the concept of "compliance" and "antimonopoly compliance", "compliance in the economy", foreign experience in the field of economy according to the compliance system, in which business relations and the production process are successfully promoted. Antimonopoly compliance, as an innovation in the economy of Uzbekistan, provides for a number of special measures, according to which, in the future, the country's economy and other industries will gain significant growth and public goods will become a priority. Based on the essence and content of the topic, the indicated sources analyzed information related to the antimonopoly compliance system in foreign countries and the implementation of this experience in Uzbekistan. When writing the article, the methods of scientific research were used: analysis, synthesis, deduction, induction, modeling and other theoretical methods of research.

## **Results and Discussion**

As mentioned above, antimonopoly compliance is a set of legal and organizational measures aimed at complying with the requirements of antimonopoly legislation and preventing its violation. An economic entity develops for itself the rules of corporate behavior and exercises control over their implementation. Thus, the actions are subject to double antimonopoly control - internal and external.

Such a system helps to prevent the actions of employees who may violate antitrust laws, including through ignorance. As a result of the application of compliance, the number of

anticompetitive actions and, consequently, sanctions from the antimonopoly authorities is reduced.

In many countries (Australia, New Zealand, Brazil, Great Britain, Germany, Italy, USA, France, Kazakhstan) the compliance program is documented. For example, in the UK, legal documents regulate its structure in companies and business incentives that can be obtained by implementing this system. So, in Italy, South Korea and a number of other countries, if an organization has a compliance system, it is provided for a reduction in the amount of fines in the event of an offense being detected.

Over the past few years, the number of tax audits in the field of small and medium-sized businesses has increased many times over. To date, the range of powers of the tax service has expanded to track the remittances of individuals, and entrepreneurs should not expect relief from government authorities. Against this background, the number of companies transferring their business to the "white" segment is growing, which immediately necessitates the restructuring of business processes and the logic of functioning.

In different business segments, informal rewards, gifts, and other ways to encourage management or other decision makers to offer better terms of cooperation with the firm's clients are normal practice. In essence, this is a violation of the law, which can lead to criminal prosecution of the management team and further adverse consequences for the organization itself.

In this regard, many companies have attended to the issue of keeping the activities of employees within the legal framework. It is in these circumstances that compliance proves to be the most effective strategy. It allows you to redistribute information flows and management patterns in such a way as to minimize the risks for the company caused by the incorrect behavior of employees, responsible persons and managers.

At the end of 2019, in his address to the Oliy Majlis, the President of Uzbekistan stressed that in order to fight corruption, every member of our society must be vaccinated with a "vaccination of honesty". To achieve all the goals set and the results of the ongoing reforms, the activities of each industry must be based on law, honesty and justice [4].

For these purposes, in 2019, UzAuto implemented the Compliance system in accordance with international standards and basic principles of legislation. The implementation was carried out in two stages, at the first of which a legal framework was created that regulates the operation of the Compliance system.

On May 28, 2020, President of Uzbekistan held a meeting to discuss priority tasks in ensuring a competitive environment in the economy and protecting consumer rights.

The head of state stressed that in the process of Uzbekistan's transition to a market economy, the issue of competition is of fundamental importance.

Today, 245 enterprises maintain the status of a monopolist in the market of 31 groups of goods and 82 types of services. However, 70 enterprises in 19 types of goods and services, on the market of which a competitive environment has already been formed, can be excluded from the register of monopolists.

At the meeting, the task was set to review the approach to determining the monopoly position of enterprises in the market, to approve a "road map" aimed at a sharp reduction in the list of monopoly goods.

The most vulnerable point is the lack of qualified specialists, there are no standards. Therefore, instructions were given to organize a separate faculty in the system of higher education in the direction of developing competition, to establish daytime and correspondence forms of education, to introduce new subjects and academic hours.

The Higher School of Business and Entrepreneurship organizes short-term courses on the development of competition for heads of monopoly enterprises and khokims, experts and professors from international financial organizations will be involved in the educational process [5].

On the basis of the Tashkent Law University, it was recommended to open advanced training courses for judges in order to consider disputes in the field of competition, specialize judges in this area and organize a separate judicial board.

Analyzed the work in the field of consumer protection. Of the more than 11,000 consumer complaints received by the Consumer Protection Agency last year, 50% were related to utilities and transport, 25% to trade, and the remaining 25% to communications, financial services and others.

The main reason is that monopoly enterprises operate under internal regulations that pursue their own interests more than the interests of consumers.

The importance of expanding the powers of the Consumer Rights Protection Agency under the Antimonopoly Committee was emphasized. Instructions were given on the preparation of a draft resolution on the fundamental improvement of the activities of the Antimonopoly Committee based on the tasks set at the meeting. [8]

Recently, the Cabinet of Ministers adopted Resolution No. 114 dated March 2, 2021 "On measures to introduce an antimonopoly compliance system" in Uzbekistan. The resolution approved:

- Regulations on the introduction of the antimonopoly compliance system and the procedure for its functioning in state administration bodies, local executive authorities and business entities;
- "Roadmap" for the implementation of the antimonopoly compliance system in state administration bodies, local executive authorities and business entities.

According to the Regulations, antimonopoly compliance is a system of internal organizational measures and procedures aimed at ensuring compliance of activities with competition law, at identifying the risks of violations and preventing them.

This provision applies to the following subjects:

- from 01/01/2021 - as an experiment in state administration bodies, local executive authorities, as well as enterprises with state participation according to the list (approved by Presidential Decree dated 07/06/2020 No. UP-6019);
- from 01.01.2022 - in subjects of natural monopoly, economic entities occupying a dominant position in the commodity or financial market, as well as corporate customers whose average annual revenue from the sale of goods over the past 3 years exceeds 30 billion soums.

This provision is applied as an experiment in state administration bodies, local executive authorities, as well as enterprises with the participation of the state, from 01.01.2022 - in natural



monopoly entities, economic entities occupying a dominant position in the commodity or financial market, as well as corporate customers, whose average annual revenue from the sale of goods over the past 3 years exceeds 30 billion soums [5].

The main tasks of the antimonopoly compliance system, among other things, are: - identifying and assessing the risks of possible violations of the requirements of the antimonopoly legislation and their management; - ensuring and monitoring the compliance of the activities of state administration bodies, local executive authorities and economic entities with the requirements of competition law; - prevention of violations of competition law requirements in the activities of government agencies, local executive authorities and economic entities, as well as by their leaders in the performance of their duties.

To ensure the functioning and monitoring of the System, an authorized person (division) is appointed in accordance with the organizational structure, staffing and nature of the entity's activities. Also, in economic entities, the implementation, operation and control of the antimonopoly compliance system can be entrusted to the internal audit service.

Creation and evaluation of the effectiveness of the functioning of the System in public administration bodies is carried out by the head; in local executive authorities - hokim; in economic entities - by the executive body or the supervisory board. Among other things, the authorized person (division): monitors violations of antitrust laws; analyzes materials related to activities, develops measures to eliminate identified shortcomings; coordinates interaction with other structural subdivisions on the issues of system operation; exchanges information with the antimonopoly authority (the Antimonopoly Committee and its territorial subdivisions) on violations of competition law requirements; develops and ensures the implementation of the "Roadmap" intended for the year, in order to reduce the risk of violating the requirements of the antimonopoly law.

The resolution was adopted in accordance with Presidential Decree No. UP-6019 dated July 6, 2020 "On Additional Measures to Further Develop the Competitive Environment and Reduce State Participation in the Economy." [9]

By 2021, summarizing the two-year work of the Compliance system, nine key areas of the system were identified in which corruption schemes may arise that adversely affect the company's efficiency.

Nine main areas of work of the Compliance system:

- Procurement
- Deliveries
- Localization
- Production
- Marketing
- Finance and economics
- Human resources
- Security

- Digitization

Based on the results of the analysis, in 2021 the classical Compliance system was radically revised - specialists with a narrow profile in the field of preventing corruption and increasing economic efficiency in each of the areas were involved, together with whom an own model of the UzAuto Compliance system was developed.

As a result of the implementation of the Compliance system adapted to the industry, a number of impressive results were obtained in a short period of time, which confirms the effectiveness of the system:

- The study of the procurement system helped prevent unreasonable spending on goods and services in the amount of 54.8 billion soums;
- Optimization of business plans for 2022 of structural manufacturing enterprises reduced unjustified costs of funds and working time by 42.2 billion soums;
- Analysis of the production process and its further optimization reduced costs by 7.8 billion soums;
- Optimization of costs for transportation structures when exporting cars allowed to reduce costs by 71.7 billion soums;
- Proposals for the implementation of 22 localization projects at 12 enterprises will reduce costs by 15.3 billion soums;
- Optimization of human resources reduced costs by 2 billion soums.

41 cases of financial fraud and theft in the amount of 242.6 billion soums were identified and prevented, documents on which were sent to the relevant authorities.

In addition, as a result of the effective measures of the Compliance system to detect and prevent violations, the industry managed to survive the period of the pandemic and the global crisis with microchips and logistics most painlessly. As a result, UzAuto Motors became one of the few automakers in the world that avoided production shutdowns and job cuts, and the only one that did not change prices during the entire pandemic period.

The results achieved confirm the effectiveness of the UzAuto Compliance system, which makes it a reliable tool for the uncompromising fight against corruption, cost optimization and the formation of intolerance to offenses among the entire team. [10]

In recent years, systemic reforms have been carried out in Uzbekistan to create a favorable investment climate, protect the rights and legitimate interests of private property owners. We mention once again the address of the President to the Oliy Majlis, where it was noted that in the fight against corruption, high results can only be achieved by vaccinating all members of society with an "honest vaccine" and introducing an early warning system for corruption, and not by fighting its consequences.

The enterprises of the structure of the Joint Stock Company "Uzavtosanoat" pay special attention to the prevention and prevention of corruption. And in this direction, in 2018, the company was one of the first in Uzbekistan to introduce a compliance system, which is a mixture of anti-corruption and sanctions compliance.

This system was developed in accordance with international standards and is also based on the principles of the US Foreign Corrupt Practices Act (FCPA) and the UK Corrupt Practices Act (UKBA) [11].

In addition, within the framework of cooperation with major international organizations, and also taking into account the extensive experience of the UN aimed at implementing measures to eradicate corruption and create intolerance for corrupt behavior in society, the company initiated a set of seminars for employees of the UzAuto structure.

### **Conclusion**

Antimonopoly compliance will reduce competition violations.

Uzbekistan does not yet have a clear system for preventing violations of antimonopoly legislation. There are no corporate standards of fair competition, effective risk management tools in case of non-compliance with its existing norms.

But the Office for the Implementation of Antimonopoly Compliance - the Antimonopoly Committee - exists and works.

The Antimonopoly Committee developed and submitted to the Cabinet of Ministers of the Republic of Uzbekistan a draft resolution of the President on the introduction of an antimonopoly compliance system in state authorities, local governments and business entities. In the process of its preparation, the experience of England, France, Germany, Japan, Korea, Australia, Israel, Brazil, Russia and Kazakhstan and other states was studied [11]. After the approval of the document, roadmaps will be developed for the phased introduction of antimonopoly compliance in enterprises that occupy a dominant position in commodity, financial and digital markets. The purpose of the implemented mechanism is to identify and manage the risks associated with antimonopoly legislation, establish control over compliance of business entities with the requirements of antimonopoly legislation, as well as evaluate the effectiveness of their activities.

The risks associated with antimonopoly legislation in state authorities, local governments and business entities will be systematically analyzed. This is expected to reduce anti-competitive practices such as abuse of dominance, cartels and collusion, restrictive competitive decisions and violations of the law, thus ensuring a healthy competitive environment in commodity and financial markets.

Successful cooperation with international organizations and the use of modern technologies and advanced knowledge in the field of compliance will help industries achieve high performance in this area. As a result, the structure of many companies in the future will become reliable and solid, and the company itself will become a significant advanced organization among the commercial enterprises of Uzbekistan in the field of the compliance system and the fight against corruption.

Since then, the compliance system has successfully passed compliance inspections conducted by some of the world's leading companies. As a result of this, in 2019, an agreement was signed on the creation of a joint venture in Uzbekistan with the Volkswagen concern, in 2020, a loan in the amount of 150 million euros was raised from the Swiss company Credit Suisse AG, and in 2021, the results of successful testing by international banks Citi, RBI, MUFG and Natixis made it possible to issue Eurobonds on the London Stock Exchange in the amount of \$300 million.

The industry compliance service of the UzAuto structure will continue to work to improve its efficiency based on an analysis of the adopted regulatory legal acts and relevant international and foreign experience in combating corruption, and further improving compliance structures in Uzbekistan.

The compliance service has also established a practice of studying the general reliability of business partners, taking into account the requirements of the legislation of Uzbekistan and the United States. At the same time, comprehensive checks are carried out using SPARK and DowJones (Dow Jones Risk & Compliance) databases for interviewing and checking counterparties. Each contract is also reviewed in terms of anti-corruption laws and sanctions lists.

During its existence, the UzAuto compliance service has repeatedly demonstrated its effectiveness among foreign partners by participating in various investment projects. As part of the alliance with General Motors, the compliance service fulfills its obligations to comply with the terms of the agreement and implement high standards in the fight against corruption.

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