

THEORETICAL FOUNDATIONS FOR ENSURING THE STABILITY OF THE  
NATIONAL PAYMENT SYSTEM

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**Abstract**

The article develops proposals and recommendations for the creation of a unified information and legal environment in the field of payment systems by banks, effective regulation of the payment services market, ensuring the activities of payment systems, payment system operators and payment service providers, increasing transparency and openness. Reasonable solutions to current problems related to the widespread adoption of modern payment systems are also proposed in the Republic of Uzbekistan.

**Keywords**

banks, payments, payment systems, electronic money, information and communication technologies, cryptocurrency, non-cash money.

**Аннотация**

В статье разработаны предложения и рекомендации по созданию единой информационно-правовой среды в сфере платежных систем банком, эффективному регулированию рынка платежных услуг, обеспечению деятельности платежных систем, операторов платежных систем и поставщиков платежных услуг, повышению прозрачности и открытости. Также предложены разумные решения актуальных проблем, связанных с обеспечением широкого внедрения современных платежных систем в Республике Узбекистан.

**Ключевые слова**

банки, платежи, платежные системы, электронные деньги, информационные и коммуникационные технологии, криптовалюта, безналичные деньги.

**Annotatsiya**

maqolada banklar tomonidan to'lov tizimlari sohasida yagona axborot-huquqiy muhitni yaratish, to'lov xizmatlari bozorini samarali tartibga solish, to'lov tizimlari, to'lov tizimlari operatorlari va to'lov xizmatlarini provayderlar faoliyatini ta'minlash, shaffoflik va ochiqlikni oshirish bo'yicha taklif va tavsiyalar ishlab chiqilgan. Shuningdek, O'zbekiston Respublikasida zamonaviy to'lov tizimlarini keng joriy etish bilan bog'liq dolzarb muammolarning oqilona yechimlari taklif etilmoqda.

**Kalit so'zlar**

banklar, to'lovlar, to'lov tizimlari, elektron pullar, axborot-kommunikatsiya texnologiyalari, kriptovalyuta, naqd bo'lmagan pullar.



## Introduction

Through the consistent implementation of measures to develop the cashless payment system, it has been possible to reduce the circulation of cash outside the banking system, significantly simplify the payment process, and expand the functionality of remote banking service systems.

In particular, the absence of a state processing center for retail payment processing is reducing the level of security of the national payment system, preventing the achievement of unified integration of the payment infrastructure, and leading to the absolute dominance of a single monopolistic system<sup>1</sup>.

## Main Part

The fact that the activities of payment system operators are not regulated at the legislative level is limiting their development and negatively affecting the reliable functioning of these systems.

It is necessary to elevate the issue of ensuring the continuity of monetary payments processed through national payment systems to the level of a fundamental principle. This is because delays in payment processing, and in some cases the failure to execute payments altogether, lead to a sharp increase in the amount of float within the country's banking system. This, in turn, has a negative impact on the overall condition of the monetary system.

Executing payments based on the payer's consent is considered a necessary condition for organizing cashless money circulation in many countries around the world, particularly in developed economies. Payments without the payer's consent are carried out only on the basis of a court decision. The issue of ensuring the economy's adequate provision with monetary resources is one of the most pressing challenges related to maintaining the stability of national payment systems.

## Literature Review

The results of scientific research conducted by D.A. Kochergin and A.I. Yangirova show that in countries where the level of monetization, measured by the M4 monetary aggregate, exceeds 50 percent, the inflation rate usually does not exceed 10 percent, while the real interest rate ranges between 1.5 and 5.0 percent.

In countries with a low level of monetization, that is, up to 20 percent, the inflation rate is relatively high, and the real interest rate is either negative or remains at a low level<sup>2</sup>.

The core principles for systemically important payment systems, developed by the Bank for International Settlements and fully implemented in the practice of developed countries, constitute one of the most important methodological foundations for ensuring the stability of national payment systems when they are fully introduced into the payment systems of developing countries.

Among foreign economists, V.M. Usoskin, A. Sheremyat, and R. Saifullin emphasize that, in ensuring the stability of national payment systems, special attention should be paid to the use and regulation of credit money in payment execution, the optimization of market participants' costs within the framework of a unified information space, and the supervision of capital markets when carrying out operations related to the movement of money as capital within the economy.

The conclusion of economists that the principle of ensuring the continuity of payments executed through correspondent accounts of commercial banks plays an important role in

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<sup>1</sup> Миллий тўлов тизимини ривожлантириш чора-тадбирлари тўғрисида. Ўзбекистон Республикаси Президентининг қарори. Тошкент шаҳри, 2018 йил 19 сентябр

<sup>2</sup> Д.Кочергин., А.Янгирова.. Коэффициент монетизации: некоторые аспекты теории, сравнительный анализ и практические выводы // Банковский вестник. – Минск, 2000. - №25 (132). - С. 4 - 9.



maintaining the uninterrupted flow of payments in the economy is well grounded. However, addressing the problem of temporary liquidity shortages arising in the “Nostro” correspondent accounts of commercial banks should not rely solely on daily and overdraft credits provided by the Central Bank; credit limits allocated by correspondent banks also play a significant role.

Analysis and Results. In 1992, the central banks of the member countries of the “Group of Ten” (Belgium, the United Kingdom, Germany, Italy, Canada, the Netherlands, the United States, Sweden, France, and Japan) prepared a report entitled “Minimum Common Features of Domestic Payment Systems”, which was published by the Bank for International Settlements in the same year. Since the head of the working group that prepared the report was A. Lamfalussy, this document became known as the Lamfalussy Standard.

According to this document:

Each country must have a payment system based on a pure settlement foundation;

These systems must carry out settlements through accounts held at central banks;

The settlement system must fully comply with the requirements of the Lamfalussy Standard.

Key requirements of the Lamfalussy Standard:

The legal basis for the multilateral netting mechanisms must be well established in all jurisdictions;

Participants in the netting mechanism must clearly understand the impact of the mechanism on financial risks during the netting process;

The multilateral netting system must have clearly defined processes for managing credit risk and liquidity risk. These processes should allow all parties to manage these risks and define the maximum level of credit risk;

Membership in the multilateral netting system must be based on objective and universally recognized criteria;

All netting mechanisms must ensure the operational reliability of technical systems and fully meet the requirements for payment processing.

Ensuring the liquidity of commercial banks is one of the main methodological issues for national payment systems.

According to the Basel Committee’s recommendations, four types of liquidity indicators are used to assess the liquidity of commercial banks:

Instant liquidity ratio;

Current liquidity ratio;

Liquidity coverage ratio;

Net stable funding ratio.

In 2010, the Basel III standard was introduced in the practice of Western European countries. This standard proposed new indicators for assessing the liquidity of commercial banks.

The formation of the capital conservation buffer and the countercyclical buffer, along with the implementation of the net stable funding ratio, provides a significant opportunity to enhance the payment capacity of commercial banks, while the introduction of the liquidity coverage ratio serves to increase the overall liquidity level of banks.

The absence of horizontal correspondent accounts between commercial banks hinders the growth of payment volumes and is considered a negative factor in terms of improving the efficiency of payment turnover.

When establishing correspondent relationships with foreign banks, it is important to pay attention to the service characteristics of these banks. For example, in the United States and Japan, banks are specialized or separated into investment banks, whereas in Europe, universal banks operate.



The timely execution of payments in foreign currency depends on the adequate liquidity of the foreign correspondent bank. Therefore, the Basel Committee assigns a 20% risk weight to the balance of a commercial bank's "Nostro" account at a foreign bank. This is directly related to the fact that payment delays arise when liquidity problems occur at the foreign bank. If a commercial bank maintains bilateral correspondent relationships with foreign banks, the payment amount executed for the benefit of the foreign bank and its clients is credited to the bank's "Vostro" account. As a result, no changes occur in the balance of the bank's "Nostro" account.

## Conclusions and Recommendations

Currently, Uzbekistan's Single Interbank Electronic Payment System lacks a reserve mechanism that would allow for the rapid resolution of disruptions caused by liquidity problems at any system participant. This necessitates the swift adoption of fundamental principles to ensure the continuity of payments and the liquidity of the system.

We believe that the above-mentioned reserve mechanism of the payment system should be applied in conjunction with the Central Bank's overdraft credits. This is because the single "Nostro" correspondent account of Uzbekistan's commercial banks in national currency is opened on the balance sheet of the Central Bank, allowing for rapid overdraft lending to commercial banks. However, for this mechanism to work, commercial banks themselves must maintain an adequate level of liquidity. In turn, the liquidity of commercial banks depends on both internal and external factors, and managing these factors is necessary to prevent the deepening of liquidity risk within the banking system.

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