



World Scientific News

An International Scientific Journal

WSN 91 (2018) 130-137

EISSN 2392-2192

SHORT COMMUNICATION

Procedure for opening and maintaining bank accounts in the Republic of Uzbekistan

G. Y. Babaeva, V. I. Nazarova*, Sh. N. Murodova

Department of Bank Accounting and Audit, Tashkent Financial Institute, Tashkent, Uzbekistan

*E-mail address: nazarova.vazira95@gmail.com

ABSTRACT

This article investigates banks of Uzbekistan while making scrutinize analyses on creating and maintaining bank accounts. Moreover, status quo of banking system, policy and structure of them are also considered as major aspect of research methodology. To make better recommendations international experience of banking systems while opening bank accounts have been compared both theoretically and practically as whole. In conclusion, outcomes of research have been mentioned to make facilitations on the procedures of opening bank accounts.

Keywords: Bank accounts, bank statements, banking industry, structure, opening accounts

1. INTRODUCTION

The banking system ensures a constant intersectoral and interregional redistribution of huge sums of money in cashless and cash forms, being the main element of the payment and settlement mechanism in the state. By accumulating and redistributing considerable money, banks influence the security and stability of the national currency. One of the main functions of banks is opening and maintaining accounts of legal entities and individuals, making settlements on accounts.

The concept of a bank account in the legal and economic literature is different. If, from the point of view of banking law specialists, a bank account is a relationship on the disposal of funds arising between a bank and a client on the basis of a contract, then economists view the bank account as an accounting document intended for conducting analytical accounting. The signs that unite these concepts are the existence of mutual obligations arising between the bank and the client on the basis of the concluded written contract.

2. THEORETICAL STUDY

The Instruction "On bank accounts opened in the Republic of Uzbekistan" No. 1948, approved by the Central Bank of the Republic of Uzbekistan, defines a bank account as "a means of implementing relations arising between a bank and a client as a result of the conclusion of a bank account agreement, under which the bank undertakes to accept and credit incoming to an account the customer (the account holder) funds, carry out the client's instructions for transferring and issuing the relevant amounts from the account and conducting other operations on the account."

Banking practice and national legislation distinguish several types of accounts. In accordance with the Instruction on bank accounts, bank accounts are divided into the following types:

- deposit accounts on demand;
- savings deposit accounts;
- time deposit accounts;
- loan accounts;
- other deposit accounts.

When the client opens any account, an agreement is concluded for servicing the bank account. After opening the main account, customers can open secondary demand deposit accounts on demand in one or several banks. Bank accounts and funds for them can exist indefinitely. Opening bank accounts is one of the forms of attracting cash from banks. Records on these accounts are recognized as non-cash funds of clients, which they are entitled to dispose of at any time, therefore, state measures (direct write-off, arrest, suspension of operations) can be applied to them. The opening of accounts must be reported to the tax authorities. The activity of banks on operations with bank accounts has detailed legal regulation both at the level of laws and at the level of by-laws. First of all, it was adopted on April 25, 1996. The Law of the Republic of Uzbekistan "On Banks and Banking Activities", which fixes the right of banks to open and maintain accounts of individuals and legal entities and calculate them.

Important laws include the Law on the Central Bank of the Republic of Uzbekistan, On Private Banking and Financial Institutions and Guarantees of Their Operations, On Currency Regulation, and On Electronic Document Management. Many issues of legal regulation of the bank account were reflected in the decrees of the President of the Republic of Uzbekistan, the decisions of the Cabinet of Ministers. As already noted, the Central Bank of the Republic of Uzbekistan proved "The instruction on bank accounts opened in the Republic's banks", as well as "The Instruction on the procedure for conducting deposit operations in the banks of the Republic of Uzbekistan" dated December 31, 2010 was approved.

Moreover, "The Regulation "On Non-Cash Settlements in the Republic of Uzbekistan" in 2002, with the Regulation No. 402 of June 27, and program focused on Bank-Client with title "On making settlements using the PC" mentioned as a major ones on the field. The legal basis for the conduct of clients' bank accounts is the written agreement between the bank and the bank on the bank account. Regulation of the rules for concluding this category of contracts is described in Chapter 44 of the Civil Code of the Republic of Uzbekistan (on specific "Articles 771-789").

3. METHODOLOGY

The bank account agreement is one of the types of civil law contracts. One side of the contract is always the bank, and the other side are individuals and legal entities. Under the bank account agreement, the bank accepts and remits the funds received to the account of the client (the account holder) and also executes the client's orders for the transfer and issue of the corresponding amounts from the account and for conducting other operations on the account.

Legal entities and citizens independently choose banks for their settlement and cash services. According to the normative documents of the Central Bank of Uzbekistan, the country's banks are obliged to credit the funds received to the account, issue or transfer them from the account by order of the client no later than the day following the day of receipt of the relevant payment document to the bank, unless other periods are stipulated by law or bank account agreement. Domestic banks guarantee the secrecy of the bank account and bank deposit, account operations and customer information. Information constituting bank secrecy can be provided only to the clients or their representatives. State bodies and their officials may receive such information in cases and in the manner prescribed by law. So on the page 38 of the Law of the Republic of Uzbekistan "On Banks and Banking Activities" provides that "Information on transactions and accounts of legal entities and other organizations shall be issued to: the organizations themselves, the prosecutor, the courts, and the bodies of inquiry and investigative bodies - in the presence of an initiated criminal case.

4. BANKING POLICY IN UZBEKISTAN

Inquiries on accounts and deposits of individuals are issued: to the clients and their legal representatives; courts; bodies of inquiry and investigation on cases in their proceedings, in cases where money and other valuables of customers on accounts and deposits may be seized, levied or confiscated. Certificates on accounts and deposits in the event of the death of their owners are issued to the persons indicated by the holder of the deposit account in the testamentary order made to the bank, the notary public offices for hereditary cases on the deposits of deceased depositors, and in respect of foreign citizens' accounts to foreign consular institutions. Banks provide information on transactions with cash or other property related to counteracting the legalization of proceeds from crime and the financing of terrorism, to a specially authorized government agency. In case of disclosure by the bank of information constituting bank secrecy, the client whose rights are violated shall have the right to demand compensation from the bank for the losses incurred.

The country's banks are obliged to regularly inform their clients about the terms and conditions for deposit and credit operations, including annual interest rates, fees and charges calculated in accordance with the rules established by the Central Bank of the Republic of Uzbekistan. Accounts are opened within two working days from the date of submission by clients of the documents provided for opening of accounts. Documents for opening accounts are submitted directly by the persons indicated in the card with samples of signatures and the seal of the client's seal. To open accounts for business entities in banks, a fee of 0.5 minimum wages is charged, and in rural areas - 0.1 minimum wages. Information on the opening of accounts not later than the next business day after the opening of accounts to business entities is generated in software and transmitted through the National Information Database of bank depositors to the State Tax Committee of the Republic of Uzbekistan.

4. 1. Opening bank accounts

Documents of economic entities that are the basis for opening an account, a bank account agreement, as well as amendments to it, constituent documents (memorandum of association, articles of association), as well as notarized copies of amendments and additions to it, a copy of the notice sent to the bank that opened the principal account, the opening of secondary accounts, as well as canceled cards with samples of signatures and prints are stored in the client's legal file. Banks keep a register of customer accounts. It can also be programmed in the computer. To open a deposit account on demand in the national currency, the following documents are submitted to the bank (Figure 1):

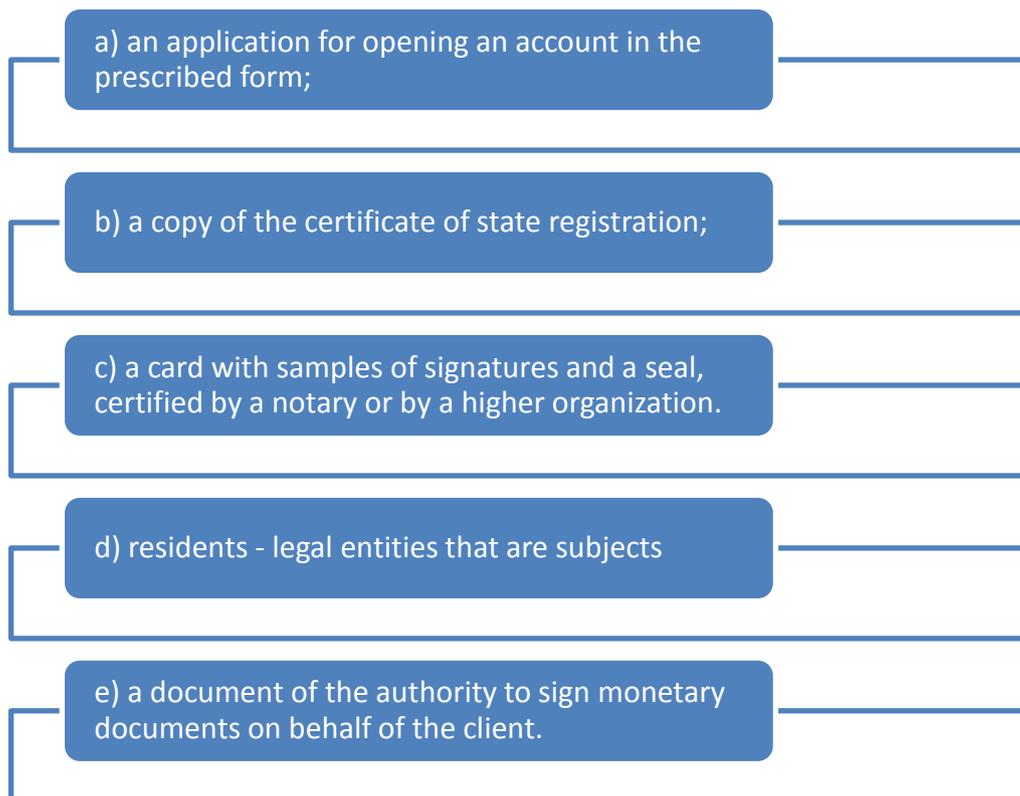


Figure 1. Necessary documents on deposit account

To open deposit accounts on demand in the national currency by resident legal entities that are not subjects entrepreneurial activity, as well as the beneficiaries of funds from the budget, the bank shall be provided with a copy of the certificate of inclusion in the Unified State Register of Enterprises and Organizations issued by the statistical bodies, in addition to the above documents.

4. 2. Deposit accounts

Opening of deposit accounts on demand to representative offices and branches of legal entities of residents are made after submission of the application for opening an account, cards with samples of signatures and documents certifying authorities, as well as petitions of a legal entity, other than those mentioned above. Economic entities, intending to carry out their activities with the formation of a legal entity, prior to their state registration, a temporary (funded) account in national and / or foreign currency may be opened. To open accounts in foreign currency, clients submit to the bank almost the same set of documents (depending on whether they are residents and whether they carry out entrepreneurial activities.) Clients are allowed to open only one deposit account in one bank on demand in only one specific foreign currency. Opening of accounts to customers on the basis of a loan agreement is made according to the instructions of the bank's head on the next day after the loan agreement comes into force. Commercial resident banks can open correspondent accounts in national and foreign currencies at the Settlement Center of the Central Bank of the Republic of Uzbekistan. When opening a correspondent account, a contract on correspondent relations is concluded. Schematically, the opening of the account can be depicted as follows (Figure 2):

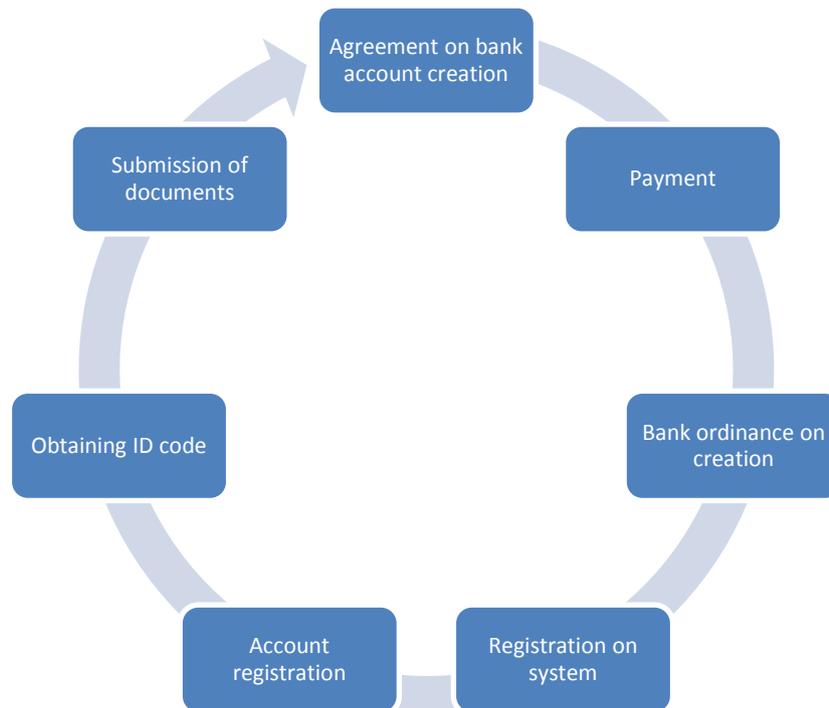


Figure 2. The process of opening bank account in Uzbekistan

Banks of the Republic of Uzbekistan obligatorily register their clients - legal entities, as well as entrepreneurs, who carry out their activities without forming a legal entity and their accounts in the service center of the National Information Base of Bank Depositors (NIBBD) of the Central Informatization Center of the Central Bank of the Republic of Uzbekistan.

NIBBD is an information base of the established structure and contains objective data about bank customers and their accounts, without fixing the state of accounts. Access to the database of bank depositors is available to all institutions of banks when registering customers, opening their accounts and obtaining additional information. NIBBD maintains a single register of bank customers. Customer accounts are opened in NIBBD automatically on the basis of the data received from the bank and they are assigned a 20-digit number. The order of the numbering is as follows: the first 5 characters indicate the balance account number, then the 3 digits indicate the currency code, 1 character is the so-called control key, 8 characters is the NIIBD code, the last 3 digits is the serial number of the personal account. The client's bank account created in the NIBBD is entered into the bank's database and is not subject to change in the bank. After receiving from NIBBD a message on assigning a unique code and account number to the customer, the bank notifies the client about this and after that has the right to conduct banking operations on this account. Banks of the Republic of Uzbekistan obligatorily register their clients - legal entities, as well as entrepreneurs, who carry out their activities without forming a legal entity and their accounts in the service center of the National Information Base of Bank Depositors (NIBBD) of the Central Informatization Center of the Central Bank of the Republic of Uzbekistan.

5. CONCLUSION

In conclusion, we would like to note that opening a bank account is one of the mandatory conditions for the registration and further operation of economic entities. In accordance with the legislation, all entities must keep their money in a commercial bank and conduct settlements without payment. Legal regulation of operations on bank accounts is also carried out at the local level. Each bank develops its opening conditions and the procedure for maintaining separate accounts within the limits established by law. Legislation in the banking sector, including the opening and maintenance of accounts of economic entities, is constantly being improved in connection with the development of new standards for banking and financial activities, the provision of new benefits and guarantees for the development of entrepreneurial activities. At the present stage of development of banking activities, the improvement and simplification of the procedure for opening accounts in commercial banks is one of the priorities of the state policy of the country.

Reference

- [1] Abernathy, W. and Clark, K.B. (1985), Mapping the winds of creative destruction, *Research Policy*, Vol. 14, pp. 3-22.
- [2] Afuah, A. (1998), *Innovation Management: Strategies, Implementation, and Profits*, Oxford University Press, New York, NY.

- [3] Alvarez, R., Benjavenete, J.M. and Grespi, G. (2010), Economic crisis and organizational change in developing countries: evidence from Chile, *International Journal of Technological Learning, Innovation and Development*, 3(1), pp. 67-86.
- [4] Amit, R, and Schoemaker, P. (1993), Strategic assets and organizational rent, *Strategic Management Journal*, Vol. 14, No. 1, pp. 33-46.
- [5] Anderson, E.W. and Mazvancheryl, K. (2004), Customer Satisfaction, Productivity, and Profitability: Differences Between Goods and Services, *Marketing Science*, Vol. 16, No. 2, pp. 129-45.
- [6] Anderson, E.W., Fornell, C. and Mazvanchery, S.K. (2004), Customer Satisfaction and Shareholder Value, *Journal of Marketing*, Vol. 68, pp. 172-85.
- [7] Barney, J. (1986), Strategic factor markets: expectations, luck and business strategy, *Management Science*, Vol. 21, pp. 489-506.
- [8] Barney, J.B. (1991), Firm resources and sustained competitive advantage, *Journal of Management*, Vol. 17, pp. 99-120.
- [9] Binns, T, and E. Nils (2002), Tourism as a local development strategy in South Africa, *The Geographical Journal*, 16(3), pp, 235-47.
- [10] Bolton, R.N. (1998), A Dynamic Model of the Duration of the Customer's Relationship with a Continuous Service Provider: The Role of Satisfaction, *Marketing Science*, Vol. 17, No. 1, pp. 45-65.
- [11] Bolton, R.N., Kannan, P.K. and Bramlett, M.D. (2000), Implications of Loyalty Program Membership and Service Experience of Customer Retention and Value, *Journal of Academy of Marketing Science*, Vol. 28, No. 1, pp. 95-108.
- [12] Edmondson, A.C. (1999), Psychological safety and learning behavior in work teams", *Administrative Science Quarterly*, Vol. 44, pp. 350-83.
- [13] Eijnatten van F.M. and Simonse, L.W.L. (1999), Organizing for creativity, quality and speed in product creation processes, *Quality and Reliability International*, 15, pp. 411-16.
- [14] Eijnatten van F.M. and van Galen, M. (2002), Chaos, dialogue and the dolphin's strategy, *Journal of Organizational Change Management*, 15(49), pp. 391-92.
- [15] Evangelista, R. and Vezzani, A. (2010), The economic impact of technological and organizational innovations. A firm-level analysis, *Research Policy*, 39 (10), pp. 1253-63.
- [16] Fornell, C. (1992), A National Customer Satisfaction Barometer: The Swedish Experience, *Journal of Marketing*, Vol. 56, January, pp. 6-21.
- [17] Fornell, C., Johnson, M.D., Anderson, E.W., Cha, J.,and Bryant, B. E. (1996), The American Customer Satisfaction Index: Nature, Purpose, and Findings, *Journal of Marketing*, Vol. 58, October, pp. 6-21.
- [18] Freeman, G. and Louca, F. (2001), *As Times Goes By: From the Industrial Revolution to the Information Revolution*, Oxford University Press, Oxford.

- [19] Frenz, M. and Preverzer, M. (2012), What does CIS tell us about technological regimes and persistence of innovation, *Industry and Innovation*, 19(4), pp. 285-306.
- [20] Galinic, D.C. and Rodan, S. (1998), Resource recombinations in the firm: knowledge structures and the potential of Schumpeterian innovation, *Strategic Management Journal*, Vol. 19, pp. 1193-1201.
- [21] Geroski, P.A., Van Reenen, J., and Walters, C.F. (1997), How persistently do firms innovate? *Research Policy*, 26(1), pp. 33-48.
- [22] Gersick, C.J. and Hackman, J.R. (1990), Habitual routines in task performing teams, *Organizational Behavior and Human Decision Processes*, Vol. 47, pp. 65-97.
- [23] Gottlieb, A. (2000), *The Dream of Reason: The History of Philosophy from Greeks to the Renaissance*, Penguin Books, London.
- [24] Grant, R.M. (1996), Toward a knowledge-based theory of the firm, *Strategic Management Journal*, Vol. 17, pp.109-22.
- [25] Gruca, T.C. and Rego, L.L. (2005), Customer Satisfaction, Cash Flow, and Shareholder Value, *Journal of Marketing*, Vol. 69, July, pp. 115-130.
- [26] Leenders, R.T.A. and Gabbary, S.M. (1999), An agenda for the future, In *Corporate Social Capital and Liability*, Leenders, R.T.A. and Gabbary, S.M. (eds.), Kluwer: New York, pp. 483-94.
- [27] Leonard-Barton, D. (1992), Core capabilities and core rigidities: a paradox in managing new product development, *Strategic Management Journal*, 13(1), pp. 111-126.
- [28] Levinthal, D.A. and March, J.G. (1993), The myopia of learning, *Strategic Management Journal*, 14(2), pp. 95-112.
- [29] Liebeskind, J.P. (1996), Knowledge, strategy and the theory of the firm, *Strategic Management Journal*, Vol. 17, pp. 93-108.
- [30] Morgan, N.A., Anderson, E.W. and Mittal, V. (2005), Understanding Firms' Customer Satisfaction Information Usage, *Journal of Marketing*, Vol. 69, July, pp. 131-151.
- [31] Nelson, R.R. and Winter, S.G. (1982), *An Evolutionary Theory of Economic Change*, Belknap Press of Harvard University Press, Cambridge, MA.