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PROSPECTS FOR SETTLEMENT OF SMART CONTRACTS IN THE REPUBLIC OF UZBEKISTAN

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ABSTRACT

This scientific article discusses the issue of the legal status of smart contracts and possible ways to resolve smart contracts in the Republic of Uzbekistan. In the process of conducting a legal analysis, much attention was paid to the current trend in changing legislation, especially reforms in the field of digitalization of finance and the provision of public services were disclosed. In the final part of the work, conclusions are given on the study and the corresponding proposal for the introduction of smart contracts in the legislation of the Republic of Uzbekistan.

KEYWORDS

Digitalization, integration, smart contract, asset

INTRODUCTION

One of the key points of digitalization of the state and society is the introduction of a system of smart contracts into the public life of the country. The process of development and gradual transition to this platform has already begun in Uzbekistan.

Before considering the legal aspects of the introduction of Smart contracts into the business life of the country, it is necessary to define this concept to build on it in the future.

To date, there is no single developed and approved definition of a Smart contract. Every scientist and

legislator takes an existing definition as a basis and refines it, so in different literature, you can find definitions of Smart contracts that differ slightly from each other.

THE RESULTS OF DISCUSSION

For this work, the definition of Nick Szabo is taken as a basis: A smart contract is an algorithm of computerized transactions that fulfills the terms of the contract [8]. Although this definition does not fully describe most of the distinguishing features of a Smart contract from other types of contracts, it gives a general idea of it.

In the digital age, all countries are trying to reduce the costs of bureaucracy, especially this trend is observed in the CIS countries, where paper business turnover still prevails over electronic. A few years ago, it was not possible to receive public services in electronic format, nowadays most services can be obtained through the World Wide Web. Such an opportunity not only creates convenience for the population but also reduces the costs of providing these services in person (salary by an employee, rent of premises for the provision of services, etc.).

One of the goals of implementing Smart contracts is also to reduce costs since among the advantages of Smart contracts is their ability to reduce the number of transactions that accompany conventional contracts, for example, the costs associated with securing the execution of such a contract (for example, court costs

or costs associated with the provision of collateral). In addition, the costs associated with the participation of an intermediary in the execution of a contract (for example, a bank or an insurance company) are also reduced in such contracts due to their disintermediary nature [9]. However, it would be wrong to conclude that Smart contracts are cheaper than conventional ones: the infrastructure necessary for the implementation of Smart contracts and the costs associated with the development ("drafting") of the terms of such contracts are still quite high. But despite this, the use of Smart contracts pays for its cost in the long run.

Given that Smart contracts reduce transaction costs by excluding intermediaries, they are likely to increase their relevance and scale. Admittedly, widespread adoption is still a few years away, given that Smart contracts need to be integrated with existing systems in the industry, which raises questions about the effort and investment that will be required. However, just as companies are beginning to identify the necessary changes, including in IT systems, processes, and change management policies, regulators and lawyers should capitalize on this momentum and focus on Smart contracts as part of a broader innovation effort [11].

Innovative technologies do not necessarily require innovative jurisprudence, and in many cases, existing legal systems will be quite sufficient to deal with the

"new" functions of Smart contracts, for example, their expression through computer code. In other cases, existing rules will need to be adapted to the new context of Smart contracts (for example, concerning signing with a cryptographic key and compliance with confidentiality rules). Some of the solutions may even be provided by the contracting parties through the development of their contracts (for example, the allocation of responsibilities and the definition of applicable legislation and dispute resolution mechanism). In a broader sense, Smart contracts provide lawyers with a unique opportunity to lead the development of a new rapidly developing field.

To ensure the full functioning of Smart contracts on the territory of Uzbekistan, it is necessary to give legal status to Smart contracts in the legislation and give a legal definition to them. In this case, lawyers, and legal experts will need to choose one of the following: "Whether to recognize a Smart contract as a separate type of contract or equate it to one of the forms of the contract?"

If the Smart contract is recognized as a new form of contract, and not an independent type of contract, then cardinal changes are not required.

Whereas, if you give the status of a Smart contract as a separate type of contract, then it will be necessary to implement and resolve the following issues.

After giving the official status, it is necessary to choose a model for the implementation of Smart contracts in the legislation of Uzbekistan (a separate integration model or a hybrid model for the integration of Smart contracts). In this case, if you choose a separate model, the classic paper contracts will retain their place in business turnover and will not undergo changes, and the Smart contract will only be an addition to them, which will reflect part of the contract in terms of execution, and all essential conditions will be specified in the classic contract. In this model, the code fragment will not be part of a legal contract but will be only a technical means that ensures the automatic fulfillment of the obligation. In this case, in the event of a contradiction between the computer program executing the contract and what is written in the terms of the contract, the scenario described in the classic contract will prevail [10]. But, in our opinion, this will lead to an increase in costs (since it will be necessary to duplicate the contract in the form of a paper contract and a Smart contract), and will also lead to an increase in disputes regarding contradictions between the terms of the contract and the Smart contract. Thus, the goal expected from the introduction of Smart contracts will not be achieved - optimization of the process of concluding and executing contracts, eradication of corruption, reduction of queues in government agencies, reduction of costs and probable losses during the execution of contracts.

CONCLUSION

We consider it expedient to adopt the law "On amendments to the Civil Code of the Republic of Uzbekistan", in terms of clarifying the concept of the form of the transaction, equating Smart contracts to a simple written form of the transaction, the expression of a person's will by electronic or other similar technical means. To establish that the fact of the transaction execution performed by the computer program is not disputed (except in cases of interference with the operation of the program), that is, the actions performed by the Smart Contract to fulfill obligations will be recognized as legitimate and will not be disputed by the parties or any other third party.

In conclusion, the serious impact of technology on commercial practice will further revolutionize the way commercial contracts are formed and executed and will lead to the emergence of new market practices. We hope that despite the difficulties of introducing Smart contracts into legislation, this practice will also be established in Uzbekistan and will serve to improve the business climate, deepen the digitalization of the country, increase profits, improve the investment climate, and develop the financial market.

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