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Legal Foundations of Corporate Law in The Republic of Uzbekistan

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Abstract: This article discusses the legal basis of corporate law in the Republic of Uzbekistan. An analysis of key legal acts, such as the Civil Code, the Law “On Joint-Stock Companies and Protection of Shareholders’ Rights” and the Law “On Business Companies” was carried out. Particular attention is paid to the structure of corporate governance bodies, the rights and responsibilities of shareholders, as well as mechanisms for protecting their rights. The role of regulatory bodies, the influence of international standards and best practices on the development of corporate governance in Uzbekistan are explored. In conclusion, proposals are presented to improve legal norms and strengthen mechanisms for protecting the rights of shareholders.

Keywords: Corporate Law, International Standards, Corporate Governance, Legal Reform.

Introduction

Corporate law is a sub-branch of civil law. This is due, first of all, to the fact that both types of law regulate property relations, applying equivalent principles and value forms. However, unlike civil law, the norms of which are general in nature and regulate property relations regardless of the participants, the norms of corporate law are relative in nature (Bourveau 2018; Dharmapala 2018; Du 2016; Goshen 2016; Lu 2021; Paoletta 2016). They operate exclusively within the framework of relations between the participants and employees of a particular corporation and are binding only on them.

Materials and Methods

Corporate law in the Republic of Uzbekistan has gone through several stages of development (Dawidowicz 2017; Dharmapala 2018; McCorquodale 2017; Meyer-Sahling 2016). In the first years of the country's independence, the main legal acts regulating corporate relations were developed and adopted. Reforms aimed at the transition to a market economy and attracting foreign investment played an important role in the development of corporate law.

In domestic and foreign legal literature, corporate law in general, and, in particular, the doctrine of legal entities, has traditionally been the object of the closest attention. The problems that arose during the discussion of the bill on legal entities and allowed the possibility of their resolution, for example, by incorporating the norms and institutions of corporate law of the European continental civil law system, or using the norms of international law, not only revived, but also caused a heated discussion among civil law scholars and practical workers.

Corporate relations are a complex combining property and non-property legal relations. In the process of research, we were able to identify two main features of corporate relations that allow us to distinguish them into a separate group: the presence of a managerial aspect in them, which is not inherent in civil legal relations; the presence of inequality, "an element of subordination." [1]

The relevance of studying the science of comparative corporate law, despite some restrictive political measures in relation to individual Russian legal entities and individuals, is indisputable, as the country continues to develop economically in the system of the WTO, the Eurasian Economic Community, and the Customs Union. Today it can be recognized that the practical application of comparative corporate law plays a significantly more important role compared to the scientific one, since it is used in comparative legislation, comparative public and private law, in court decisions and international judicial practice. [1]

Result and Analysis.

An important aspect of the development of corporate law in Uzbekistan has been the borrowing and adaptation of international experience. In particular, the legislation takes into account the recommendations of the Organization for Economic Co-operation and Development (OECD) on corporate governance (Clarke 2014; Kolev 2019; Kyaw 2017). This made it possible to create a legal framework conducive to attracting foreign investment and developing the corporate sector.

Basic laws and regulations:

Civil Code of the Republic of Uzbekistan

The Civil Code is a fundamental document regulating the general principles of business activity and corporate governance. It defines general provisions on legal entities, the rights and obligations of participants, as well as mechanisms for protecting their interests.

Law "On Joint Stock Companies and Protection of Shareholders' Rights"

This law regulates the activities of joint stock companies (JSCs), determines the procedure for their creation, operation and liquidation. The law also establishes the rights and obligations of shareholders, mechanisms for protecting their rights, and the procedure for holding general meetings and making decisions.

Law "On Business Companies"

The Law "On Business Companies" regulates the activities of other corporate forms, such as limited liability companies (LLC), partnerships and others. It establishes the

procedure for the creation, management and liquidation of such organizations, as well as the rights and obligations of participants.

Corporate law contains organizational and legal norms. This applies to rules on the structure of the management bodies of a corporate organization, their powers, approval of the organization's charter, registration of the constituent agreement, and the procedure for issuing a license to conduct a particular type of activity. To a certain extent, they contain elements of public law norms, but, taking into account their inherent essence, content, and purpose, they are more characterized by elements of private law. The prerequisite for this is, firstly, that corporate organizations, in accordance with Art. 40 of the Civil Code of the Republic of Uzbekistan, being commercial, carry out entrepreneurial activities.

Subjects of corporate law are classified as economic entities. In Uzbekistan, these include Uzbek and foreign commercial organizations and their associations (unions or associations), as well as non-profit organizations engaged in business activities. The Republic of Uzbekistan and its municipalities participate in commercial relations regulated by civil legislation on equal terms with citizens and legal entities. In these relations, state authorities and local self-government bodies act on behalf of the Republic and its municipalities, which, within the limits of their competence, can acquire and exercise civil rights.

Mechanisms for protecting shareholders' rights

Protection of the rights of minority shareholders

Minority shareholders (owners of a small block of shares) often face problems protecting their rights. The legislation of Uzbekistan provides mechanisms for the protection of minority shareholders, such as the right to participate in general meetings, access to information, and the right to appeal decisions of management bodies in court.

Procedures for appealing decisions

Shareholders have the right to appeal decisions of management bodies that they consider illegal or violative of their rights. An appeal can be made both internally (through the audit commission) and in court.

Uzbekistan strives to use the best international corporate governance practices, such as independent auditing, implementation of internal control systems, and development of corporate governance codes. These measures help to increase transparency and efficiency in the management of corporate structures.

Today, "corporate law" can be considered in the following four areas:

- 1) an established set of legal norms regulating a range of certain social relations, with the characteristics of a system;
- 2) a set of regulatory legal acts that have different industry affiliations and regulate corporate relations;
- 3) developing science;
- 4) academic discipline.

The practice of applying corporate legislation shows that despite the presence of a developed legal framework, there are problems with its implementation. This is due to

insufficient legal culture, lack of experience among management bodies and shareholders, as well as corruption risks.

Discussion.

The emergence of corporate law in the legal system, as well as its progressive development, is a natural and logical result of the development of market relations within the framework of the formation of civil society and the rule of law.

The practice of applying corporate legislation shows that despite the presence of a developed legal framework, there are problems with its implementation. This is due to insufficient legal culture, lack of experience among management bodies and shareholders, as well as corruption risks.

Suggestions and recommendations for improving legislation

To improve corporate law in Uzbekistan, it is necessary to continue work on adapting international standards and practices. It is important to develop and implement new mechanisms for protecting the rights of shareholders, strengthen control over the activities of management bodies, and improve the internal and external audit system.

To ensure effective protection of shareholders' rights, it is necessary to create specialized bodies or units that deal with complaints and conflict situations. It is also important to improve legislation regarding the responsibility of management bodies for violating the rights of shareholders.

Conclusion

Corporate law in the Republic of Uzbekistan has come a long way in development, however, to achieve a high level of efficiency and transparency of corporate governance, it is necessary to continue working to improve the legal framework. The introduction of international standards, strengthening mechanisms for protecting the rights of shareholders, improving the legal culture of participants in corporate relations are the key areas for further reforms.

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