

International Congress on Economics, Management and Business Studies
Hosted Online from New York, USA
Date: 23rd October, 2026
Website: https://econferencia.com

THE SYSTEM OF BANKING SUPERVISORY AUTHORITIES: FUNCTIONS AND POWERS

Nargiza Kudratbekovna Ruzmetova
Independed PhD Researcher
Department of Banking Accounting and Auditing
Tashkent State University of Economics (TSUE)

Abstract

Banking supervision is one of the key elements of ensuring the stability and reliability of the banking system. The effectiveness of supervisory mechanisms directly affects the ability of banks to maintain adequate capital and liquidity, manage risks, protect the interests of depositors and creditors, and respond promptly to emerging financial risks. in modern conditions, banking supervision is increasingly based on a risk-oriented approach, which requires supervisory authorities to assess not only compliance with established prudential requirements, but also the nature and scale of risks assumed by individual banks. In the Republic of Uzbekistan, the Central Bank plays a central role in the regulation and supervision of banking activities. In accordance with the Law of the Republic of Uzbekistan "On Banks and Banking Activities", the Central Bank is the state body responsible for regulating the banking sector and exercising powers related to licensing, regulation and prudential supervision. The activities of the Central Bank are aimed, among other things, at maintaining the stability of the banking system and ensuring the effective functioning of payment systems.

The system of banking supervision includes a set of regulatory, supervisory and corrective measures aimed at maintaining the financial stability of banks. An important element of this system is the licensing of banking activities. The Central Bank evaluates applications for the establishment and licensing of banks

and assesses whether applicants meet the established regulatory requirements. In addition, supervisory authorities monitor the activities of operating banks and assess their compliance with legislation and prudential requirements.

Functions and powers of banking supervisory authorities

The functions of banking supervision in the Republic of Uzbekistan cover a wide range of regulatory and supervisory activities. The Central Bank of the Republic of Uzbekistan is the state body responsible for regulating the banking sector and exercising powers related to licensing, regulation and prudential supervision. Its supervisory responsibilities include the regulation and prudential of commercial banks and banking groups, as well as monitoring compliance with established regulatory requirements.

An important component of prudential supervision is the assessment of the financial condition of banks. The Central Bank monitors compliance with economic and prudential requirements and analyses such indicators as the quality of bank assets, liquidity and solvency. The prudential supervision function also includes analyzing the result of stress test conducted under different scenarios in order to identify banking risks at an early stage and strengthen banks' ability to prevent and mitigate such risks.

Supervisory activities also include monitoring banks' financial reporting, analyzing the reasons for deterioration in their financial stability and developing measures aimed at the financial rehabilitation of problem banks. Where banks violate legislation, regulatory requirements or economic standards, proposals may be submitted to the Banking Supervision Committee concerning the application of appropriate supervisory measures. Thus, the supervisory mechanism combines preventive monitoring, assessment of financial risks and corrective measures.



International Congress on Economics, Management and Business Studies
Hosted Online from New York, USA
Date: 23rd October, 2026
Website: https://econferencia.com

Risk-oriented approach to banking supervision

An important direction in the development of modern banking supervision is the transition from a predominantly compliance-based approach towards risk-oriented supervision. Under this approach, supervisory resources are focused on identifying and assessing the risks that may have the greatest impact on the financial stability of an individual bank and the banking system as a whole. The Basel Committee on Banking Supervision identifies a forward-looking and risk-based approach as one of the foundations of effective banking supervision. The 2024 Basel Core Principles state that the intensity of supervision should vary depending on the size, complexity, risk profile and systemic importance of banks. Supervisors should assess not only compliance with regulatory requirements, but also the effectiveness of governance and risk-management systems and the potential risks posed by banks to the financial system.

The risk-oriented approach therefore requires supervisory authorities to direct greater attention and resources towards banks and activities associated with higher risks. This makes it possible to identify emerging problems at an earlier stage and apply appropriate supervisory measures before risks become a threat to the stability of an individual bank or the banking system.

Direction for improving the system of banking supervision in Uzbekistan

In order to improve the effectiveness of banking supervision in the Republic of Uzbekistan, it is important to further develop a risk-oriented approach, strengthen the assessment of banks' financial condition and improve the mechanisms for early identification of potential risks. particular attention should be paid to the quality of bank assets, the level of non-performing loans, capital adequacy and the effectiveness of internal risk-management systems.

In our opinion, the following measures could contribute to improving the system of banking supervision. First, it is necessary to strengthen the use of early-warning indicators to identify deteriorating financial conditions in banks at an early stage. Second, supervisory assessments should increasingly take into account the quality of corporate governance and the effectiveness of banks' internal control systems. Third, the use of stress testing and forward-looking risk assessments should be further developed to improve the ability of supervisory authorities to identify potential threats to financial stability.

The implementation of these measures would help strengthen preventive supervision, improve the timeliness of supervisory responses and contribute to the stability of the banking system of Uzbekistan.

Conclusion

In conclusion, the system of banking supervisory authorities plays a significant role in ensuring the stability and reliability of the banking system of the Republic of Uzbekistan. The effectiveness of banking supervision depends not only on the legal powers of supervisory authorities but also on their ability to identify risks, assess banks financial condition and take timely supervisory measures. Further development of risk-based supervision, early-warning mechanism and stress-testing practices can contribute to strengthening the resilience of commercial banks and improving the overall effectiveness of banking supervision in Uzbekistan.

References

1. Republic of Uzbekistan. Law on the Central Bank of the Republic of Uzbekistan, No. ZRU-582, 11 November 2019.
2. Republic of Uzbekistan. Law on Banks and Banking Activities, No. ZRU-580, 5 November 2019.

3. Central Bank of the Republic of Uzbekistan. Official website. https://cbu.uz/en/
4. Basel Committee on Banking Supervision. Core Principles for Effective Banking Supervision. Bank for International Settlements, April 2024. https://www.bis.org/bcbs/publ/d573.htm